

# 2008

## ANNUAL REPORT



**Blue Crane Route  
Municipality  
(EC102)**



# Table of Contents

<b>1. INTRODUCTION AND OVERVIEW .....</b>	<b>3</b>
1.1 Foreword by the Mayor .....	3
1.2. Report of the Municipal Manager .....	6
1.3 Overview of Blue Crane Route Municipal Area .....	10
<b>2. PERFORMANCE HIGHLIGHTS .....</b>	<b>13</b>
2.1 Office of the Mayor/Council .....	13
2.2 Office of the Accounting Officer / Municipal Manager .....	14
2.3 Office of Budget and Treasury .....	16
2.4 Office of Technical Services .....	21
2.5 Office of Community and Social Services .....	30
2.6 Office of Corporate Services .....	54
<b>3. HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT .....</b>	<b>60</b>
3.1 Introduction .....	60
3.2 Skills Development Courses .....	60
3.3 Skills Level of Employees .....	60
3.4 Demographical Profile and vacancies per Occupational Category as at 30 June 2008 .....	61
3.5 Appointments and Promotions .....	61
<b>4. AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION .....</b>	<b>62</b>
4.1 Report of the Auditor General on the Annual Financial Statements and Performance Management .....	62
4.2 Responses on the Audit Report and of corrective action taken .....	69
4.3 Annual Financial Statements .....	80
4.4 Assessment of any arrears on municipal taxes and service charges .....	107
4.5 Assessment of the measurable performance for revenue collection for each vote in the approved budget .....	107
4.6 Audit Committee .....	107

# **1. INTRODUCTION AND OVERVIEW**

## **1.1 *Foreword by the Mayor***



The Blue Crane Route Municipal Council wish to take you through the 2007/08 Financial year. The basis upon which to do so is to report on our performance. This report is done consistent with the requirements of the MFMA and also an obligation to contribute to the better life of our Communities.

The IDP is the stepping stone upon which we launch our account of the activities of the year under review. Let me hasten to inform you that the governance side will also be part of the report. That will talk to Council meetings held, policy, resolutions, public participation, etc.

The focus points for Council in 2007/08 was to ensure that we stabilize the Municipality, appoint the key positions at Senior Management, provide basic services, maintain the infrastructure, deal with bucket eradication, capacitate our staff.

Let me close by thanking our people for being part of the Biltong festival, held annually. This festival is meant to market the Blue Crane Route, provide space for the people and business to network. This investment should be seen in that context wherein our people mingle, enjoy, integrate and have fun.

I then take this opportunity to introduce to you stakeholders on behalf of Council, the Annual Report for 2007/08. Read through, comment and give feedback to us so that we can improve in our journey to create a better life for all.

Let me thank my fellow Councillors, Managers, Staff and Community whom journeyed with us during these difficult times. Let me assure you that our heads are high as we walk to conquer the challenges ahead of us.

**Ms. M. SCOTT  
MAYOR**



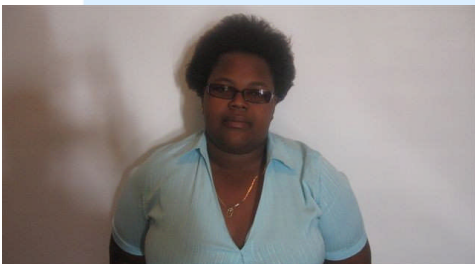
## **WARD COUNCILORS**



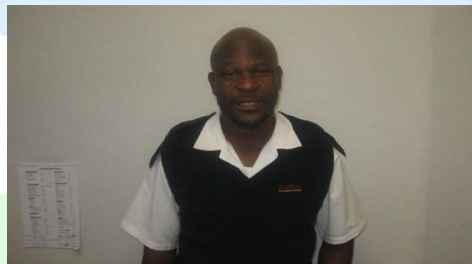
**Clr. Manxoweni  
Ward 1**



**Clr. Sibaca  
Ward 2**



**Clr. Yantolo  
Ward 3**



**Clr. Jonas  
Ward 4**



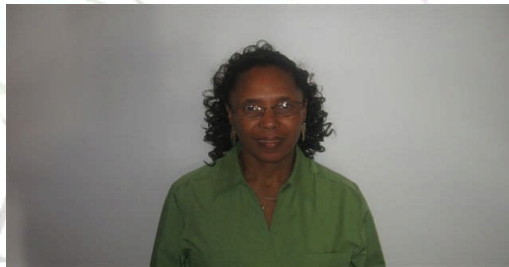
**Clr. Nontyi  
Ward 5**



## **PROPORTIONAL REPRESENTATION COUNCILORS**



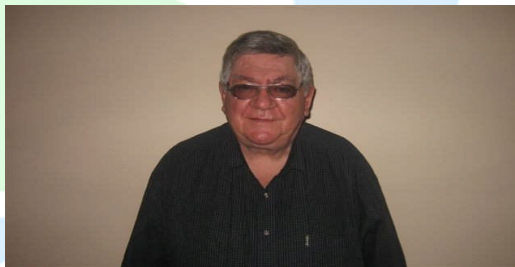
**Clr. Froehlich**



**Clr. Simmons**



**Clr. Brown**



**Clr. Olivier**

**TOLERANCE, TRUST, TENACITY**

## **1.2 Report of the Municipal Manager**

The Constitution of Republic of South Africa, Act 108 of 1996, Chapter 7 (153)(a) as amended, mandates the local government to ensure that they provide basic services and contribute towards social and economic development of the community. The Blue Crane Route Municipality undertook to focus on specific issues that will take forward the mandate. They include:

- Stabilizing the Municipality
- Provide basic services
- Establish / restructure the Development Agency to take forward economic development agenda
- Maximise the benefits of co-operative governance
- Enhance Community Participation.

### **1.2.1 STABILIZATION OF MUNICIPALITY**

The Blue Crane Route Municipality in 2007/08 required stabilization because of many things that happened after establishment process. There were problems with the three towns that constitute Blue Crane Route Municipality. That relates to staff/personnel matters, management, public perception and services. There were problems to the strategies adopted to provide services to the community. The Municipality was not very strict in the application of bid processes. All these issues led to the lack of service delivery.

The Council undertook a session as to how do Blue Crane Route Municipality strategically turn-around the situation.

The personnel matters were addressed and continue to deal with the snags presently. The staff is being remunerated on a scale of the Bargaining Council and the Organisational Rights Agreement is being implemented. The Blue Crane Route Municipality is working to conclude these matters in 2008/09. The labour is comfortable with the progress on these issues.

The other two towns (Cookhouse & Pearston) have no formal structural set-up to manage them as Units. The temporary arrangement is working but it has challenges especially when it comes to accountability. The issue will be addressed when the organogram (Staff Structure) is reviewed in line with the IDP.

Public Participation is happening. The Ward Committees are in place. There is a need to structure the Ward Committees in line with the Guidelines, train them and support them to effectively perform their duties.

The public perception that Council focuses on the Somerset East town and less in the two towns is matter of concern. This perception clouds even the service delivery process. The Council is working on strategies to deal with this challenge so as to ensure that its citizens are not divided by artificial barriers.

### **1.2.2 PROVISION OF BASIC SERVICES**

The stabilization process of the Municipality affected the speed of service delivery. The Blue Crane Route Municipality struggled financially and could not provide services as promised. That affected infrastructure, water, cleansing, parks, cleaning of Community Halls and filling of vacancies.

The Department of Housing Local Government and Traditional Affairs came to the rescue by providing R12 million. This money was conditional in line with the Business Plan. The highlights of the BP were:

- To pay creditors
- To pay statutory obligations
- Not for salaries
- To identify major creditors
- To do investigations.

The funding provided a space for the Municipality to breathe. The money for services, rates and taxes could then be used for maintenance of some infrastructure, use money to repair trucks for cleansing, and fill some of the critical vacancies.

### **1.2.3 DEVELOPMENT AGENCY RESTRUCTURING**

The mandate for a developmental local government especially the economic development was strategically located with the Blue Crane Development Agency. In order for BCDA to take forward the mandate, the Blue Crane Route Municipality undertook a session with various stakeholders like, Cacadu District Municipality, Provincial Treasury, Local Government, Community Organisations and individuals with skill, to chart a way forward. A process was set and the following was done:

- The Blue Crane Development Agency was registered
- Complied with MFMA requirements
- New Board was appointed
- The Mandate was extended.

The Blue Crane Development Agency is taking the challenge of Economic Development with all the zeal.

### **1.2.4 CO-OPERATIVE GOVERNANCE**

The Blue Crane Route Municipality has engaged all the various departments within the BCRM area and the Province including National on matters of service delivery. The process has led to various projects undertaken by:

- Social Development
- Agriculture
- Land Affairs
- Department Economic Development and Environmental Affairs
- SASSA
- Home Affairs
- Sports, Arts and Culture
- Minerals and Energy etc.

This exercise maximises the benefits to create a better life for our communities. What has to be done is the establishment of an Inter-governmental Relations Structure.

### **1.2.5 ENHANCE COMMUNITY PARTICIPATION**

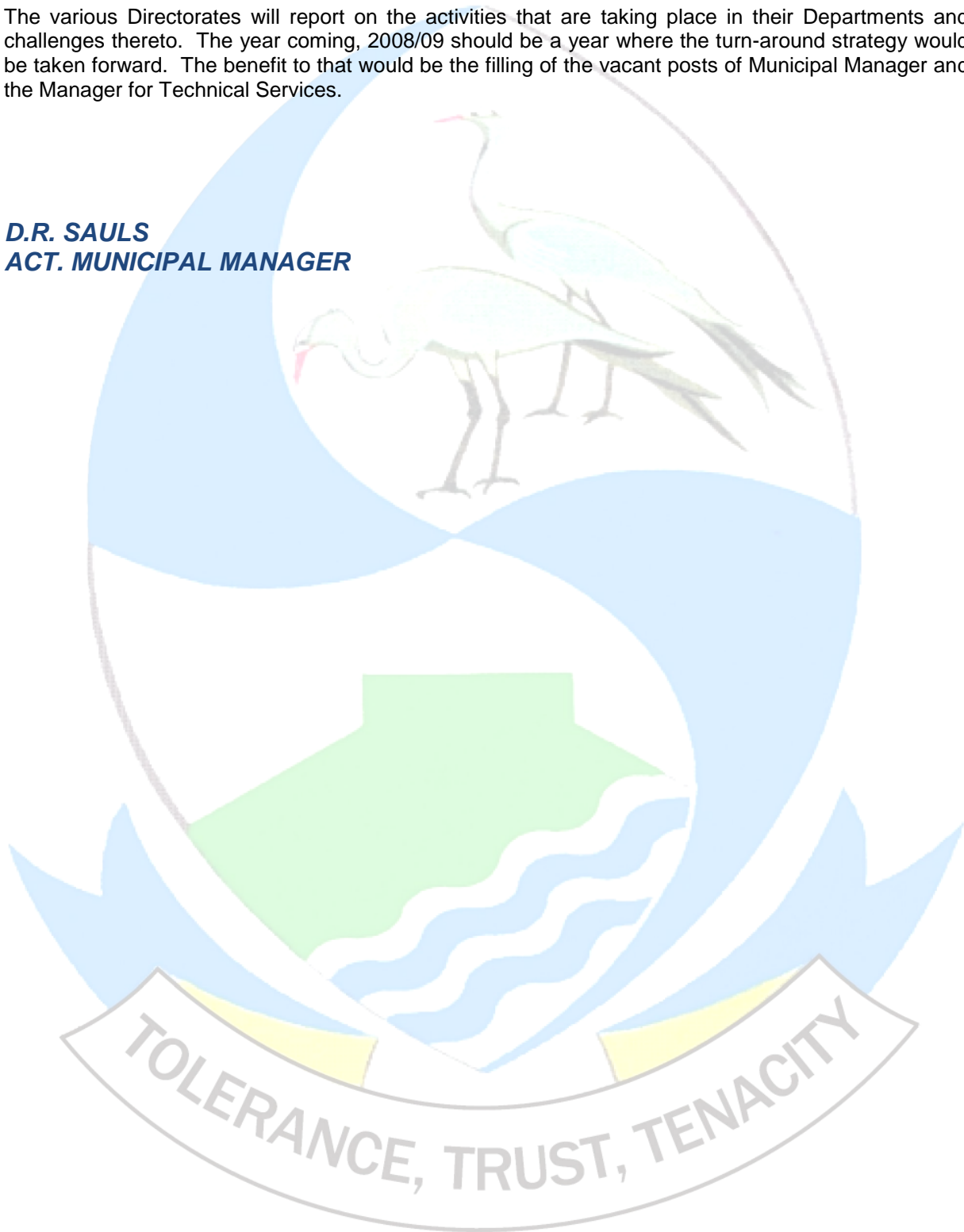
This is one of the areas that are very important for the System of Government the Country has. It is even legislated in terms of the Systems Act 52 of 2000, Chapter 4. The processes of Integrated Development Plan, Budget, Annual Reports, SDBIP, and other activities that require consultation like polities and By-Laws require the BCRM to strengthen these structures. The Council has taken upon itself to ensure that the structures are set e.g.: Ward Committees and that they comply with the guidelines. Having established them, BCRM is going to focus on capacity building to enable them to perform their duties.



#### **1.2.6. CONCLUSION**

The various Directorates will report on the activities that are taking place in their Departments and challenges thereto. The year coming, 2008/09 should be a year where the turn-around strategy would be taken forward. The benefit to that would be the filling of the vacant posts of Municipal Manager and the Manager for Technical Services.

***D.R. SAULS***  
***ACT. MUNICIPAL MANAGER***



## SECTION 57 MANAGERS



**D.R.Sauls**  
**Manager: Financial Services**



**H. Hendricks**  
**Manager: Corporate Services**



**Y. Sinyanya**  
**Manager: Community Services**



**Vacant**  
**Manager: Technical Services**

### 1.3 Overview of Blue Crane Route Municipal Area

The Blue Crane Route Municipality is located in the western half of the Eastern Cape, approximately 150km north of the Nelson Mandela Metro. The area comprises of the former Municipal and Transitional Representative Area of Somerset East, Pearston and Cookhouse and a portion of the former Bedford TRC Area.

The area comprises a number of settlements:

- Somerset East, including Aeroville, Mnandi Old Location, New Brighton, Westview and Clevedon.
- Pearston, including Nelsig and Khanyiso.
- Cookhouse, including Bhongweni and Newtown.
- The Department of Water Affairs - Uitkeer established to construct and maintain the Orange Fish River Scheme.

#### **Physical**

The area is characterised mainly by two prominent topographies, namely Bosberg Mountain Range linking the Winterberg Mountain Range in the east to the Coetzeeberg Range in the west. The southern portion of the region is characterised by typical Karoo landscapes comprising grasslands and densely vegetated rivers and valleys.

Harsh climatic conditions are experienced with temperatures averaging between 6°C in winter and 29°C in summer.

Veld types found in the region range from Nama Karoo, Grasslands, thickets to Afromontane Forests in the mountainous region.

#### **Spatial**

The settlement pattern of the Blue Crane Route is characterised by three prominent urban settlements, namely Somerset East, Pearston and Cookhouse.

A number of under-utilised and derelict railway sidings are located in close proximity to the N10 Trunk Road bisecting the region. These sidings, partly habited, include Kommadagga, Sheldon, Middleton, Golden Valley, Klipfontein and Witmos.

The urban areas typify the spatial pattern of towns throughout South Africa, namely segregated economic classes residing in clusters. However this pattern is rapidly changing as vacant tracks of land segregating the neighbourhoods are being identified, planned and developed as housing areas. All three urban centres have been allocated housing subsidies in this regard.

#### **Demographics**

Demographics and socio-economic data for the Blue Crane Route region is derived from, *inter alia*, the 2001 Census figures and the Demarcation Board. A single source of data, namely the Demarcation Board is used for the study area to ensure consistency and a uniform base of comparison.

It should be noted that large discrepancies exist between the latest Central Statistical Services (CSS) (Census 2001) data and other sources of statistics available. Some data sets are only available for Magisterial districts and are reflected as such in this report (Somerset East and Pearston). Attempts were made to find more up to date statistics that would reflect a more up to date situation however this



proved difficult. The Provincial Growth and Development Plan (PGDP 2004 – 2014) have had to make use of the 2001 Census Statistics.

Approximately 34 357 people reside in the Blue Crane Route Municipal Area, with by far the majority (47,6%) residing in the Somerset East urban centre. The total population of 34 357 is made up of some 8 011 households with an average size of 4,3 persons per family (Refer to Tables 2 , 3 and 4).

**Table 1: Population**

DEMOGRAPHIC AREA	POPULATION	PERCENTAGE (%)
Somerset East	16 354	47,6
Cookhouse	5 257	15,3
Pearston	4 020	11,7
Rural	8 726	25,4
<b>TOTAL BLUE CRANE ROUTE</b>	<b>34357</b>	<b>100</b>

**Table 2: Population Comparative Analysis**

	URBAN (%)	RURAL (%)	TOTAL (%)
<b>Blue Crane</b>	73,6	26,4	100
<b>Eastern Cape</b>	36,6	63,4	100

**Table 3: Short-term Population Growth (1996 to 2000) (Urban)**

MAGISTERIAL DISTRICT	POPULATION		
	1996	ANNUAL GROWTH RATE (%)	2000
Somerset East	28 073	0,98	29 190
Pearston	4 863	0,94	5 048
Eastern Cape	6 306 264	1,6	6 709 641

#### **Socio economic**

The level of unemployment in the Blue Crane Route has increased dramatically since 1990. The highest increase of 54% was experienced in the Pearston region of the Blue Crane Route. This is due to consolidation of farms and conversion of commercial farms to game farms.

The agricultural sector employs the highest percentage of people, namely 54,5% in Pearston and 37% in Somerset East. This is followed by community service and trade respectively for Somerset East and Pearston. (Refer to Table 4: Employment per economic sector % (1999) and Table 7 (2001).

**Table 4: Employment per economic sector % (1999)**

ECONOMIC SECTOR	MAGISTERIAL DISTRICT	
	SOMERSET EAST	PEARSTON
Agriculture	37	54,5
Mining	0	0
Manufacturing	9,2	3,9
Electrification	0,4	0
Construction	3,7	2,8
Trade	12,5	13,5
Transport	4,5	2,2
Finance	5,1	0
Community Service	17,8	12,6
Government	9,8	10,5

**Table 5: Employment per economic sector BCRM (2001)**

Industry	
Persons	2001
Agriculture/Forestry/Fishing	3100
Community/Social/Personal	1212
Construction	316
Electricity/Gas/Water	27
Financial/Insurance/Real Estate/Business	192
Manufacturing	311
Mining/Quarrying	3
Other	0
Private Households	1208
Transport/Storage/Communication	103

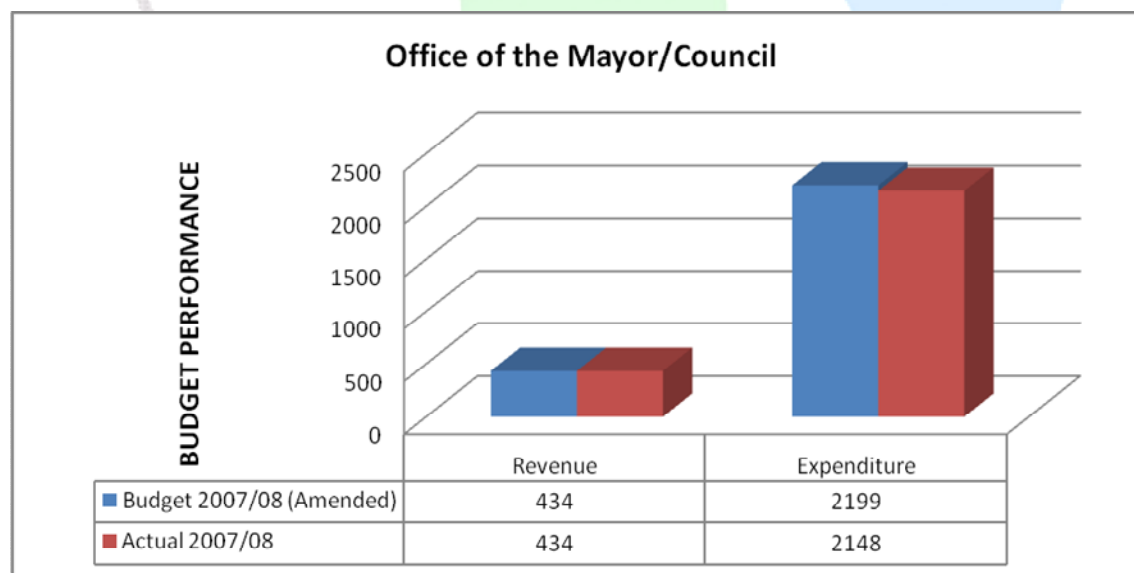
Undetermined	828
Wholesale/Retail	536

The high levels of unemployment are highlighted in the income earned by the population. Approximately 44,3% of the population in the Blue Crane Route earn no income at all.

## 2. PERFORMANCE HIGHLIGHTS

### 2.1 *Office of the Mayor/Council*

Activity	Budget 2007/08 (Amended) R'000	Actual 2007/08 R'000	Performance %	Target %
Revenue	434	434	100	100
Expenditure	2 199	2 148	98	100





## 2.2 Office of the Municipal Manager / Accounting Officer

The Municipal Manager's office has some Units that undertake some functions. It is the Local Economic Development (LED) / Integrated Development Planning (IDP) and Information Communication Technology (ICT).

### 2.2.1 LOCAL ECONOMIC DEVELOPMENT / INTEGRATED DEVELOPMENT PLANNING

The Local Economic Development function is performed by the Blue Crane Development Agency (BCDA). That has been done in line with the restructuring process. The basic intention being to ensure that:

- Economic Development is ring-fenced
- Fast track development
- Specialised skills acquired to do the work
- Mobilise resources for Economic Development

The official in the LED unit works close with BCDA and also focuses on programs and projects on poverty affiliation with various departments.

The report will entail projects done by various departments for the year under review.

#### PROJECTS:

#### LOCAL ECONOMIC DEVELOPMENT (LED)

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Nojoli Weavers	Youth	500	Dept of Science & Technology Nat Dept Arts & Culture	500	Doing well and need bigger accommodation
Siyazondla Food Garden	BCRM	200	Dept of Agriculture	200	Need electricity support
Fencing	BCRM	48	Dept of Agriculture	48	Done
CMT Car Wash Project	BCRM	700	CDM	700	Need CDM to fund the final phase
Nokwambasa Laundry project	BCRM		CDM & ECMEC	276	Improving, need training

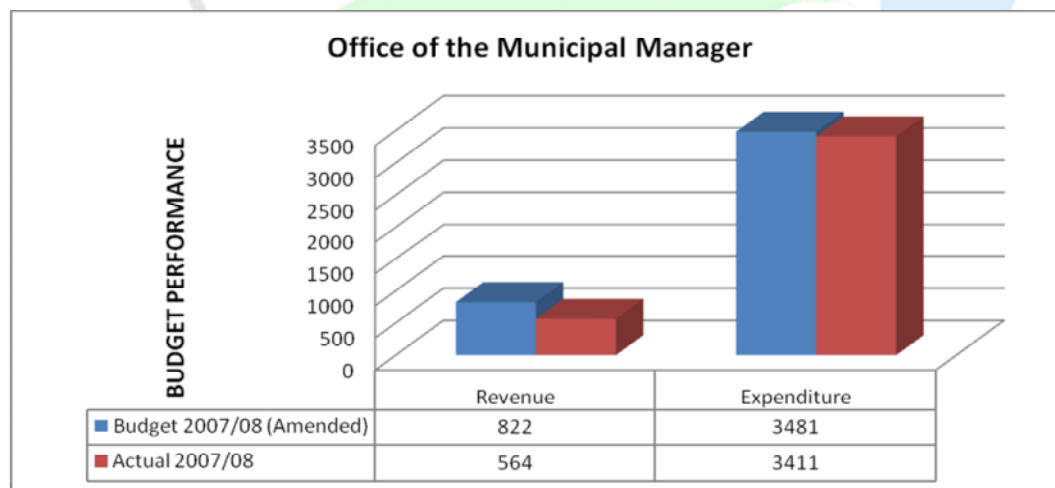
## INFORMATION COMMUNICATION TECHNOLOGY (ICT)

Information Communication Technology (ICT) assist the municipality in the design, acquiring, implementation and monitoring of the ICT Projects include:

- Network design and implementation. Cacadu District Municipality (CDM) offered to put up the network in the Blue Crane Route Municipality (BCRM). The work was done 100%.
- The Internet was set-up through LGNET on the support by Development Bank of Southern Africa (DBSA) and Cacadu District Municipality (CDM). The system is working and the Blue Crane Route Municipality (BCRM) is looking at upgrading the system. People have access to Internet.
- The process of ensuring that the photocopy, fax and other equipment is up to date. The follow-up on contracts with Service Providers. The telephone system and its operation has been taken care of. What needs attention is the efficient use of such gadgets, equipment and systems.
- Communication is still an area that needs more attention in the form of Internet.

## BUDGET PERFORMANCE:

Activity	Budget 2007/08 (Amended) R'000	Actual 2007/08 R'000	Performance %	Target %
Revenue	822	564	68	100
Expenditure	3 481	3 411	98	100



## 2.3 Office of Budget and Treasury

The Chief Financial Officer supports the Municipal Manager to manage the finances of the Municipality. This office will therefore, inter alia, perform the following functions:

- Provide reliable and accurate financial information to all users including councilors, managers and the public
- Collect revenue due to the municipality and manage the cash-flow
- Control expenditure and payment to creditors
- Prepare annual budgets
- Prepare annual financial statements

The Chief Financial Officer has acted mainly as the Municipal Manager during the year under review and therefore there has been an indirect negative impact on the capacity for financial management due to the vacancy of that office. This challenge has been partially overcome by the dedicated work of all staff.

The financial performance of the municipality is under severe constraints. Expenditure in excess of budgets and the inability to collect revenue due to the municipality has led to a shortfall in cash which must now be carefully managed on a daily basis. Furthermore, many programs must be curtailed or delayed awaiting the necessary cashflow.

### CAPITAL EXPENDITURE.

The Accounting Officers report contained in the set of Financial Statements deals with capital spending and offers reasons for the significant under-performance compared to the budgeted figures.

### OVERALL OPERATING RESULT

The municipality concluded the year with a net operational surplus of R19 525.. Added to the deficit brought forward from the previous financial year this results in an accumulated net deficit of R10 035 734.

The decrease in the operational deficit of R4,5 million for the financial year is mainly attributable to the grant received from Government to repay outstanding creditors, paying of the overdraft and DBSA.

### OPERATING EXPENDITURE

The analysis of the municipality's operating expenditure is as follows:

Operating Expenditure	R	% of Gross Expenditure
Personnel costs	30 917 239	41.7
General expenses	21 946 101	29.6
Bulk Purchases – Electricity	12 310 000	16.6
Repairs and Maintenance	3 180 000	4.3
Capital Charges	1 433 173	2.0
Contributions to fixed assets	3 174 893	4.3
Contributions to Funds	1 100 000	1.5
<b>Gross Expenditure</b>	<b>74 061 406</b>	<b>100.0</b>
<b>Less: Amount charged out</b>	<b>(700 785)</b>	<b>1.0</b>
<b>Nett Expenditure</b>	<b>73 360 621</b>	



Expenditure such as personnel cost, purchase of power and general expenses over which Council has very limited capacity to adjust in the short-term account for approximately 88% of gross operating expenditure.

The amount of R152 936 consists of wasteful expenditure and must be approved by Council. The reason for this expenditure is due to the Municipalities cash flow position. This money was paid for interest on late payment of Creditors.

This leaves Council with very limited scope to redirect spending towards, for example, supporting operational expenses and loans needed for the improvement of infrastructure and services in previously deprived areas.

## OPERATING INCOME

The following is a breakdown of the municipality's operating income represented by the respective income categories:

Income Category	R	%
Grants and Subsidies	27 379 321	32.4
Assessment Rates	4 802 019	5.6
Electricity Charges	24 781 351	29.4
Refuse	3 980 788	4.7
Sewerage and Sanitation	3 508 265	4.0
Water Charges	6 086 686	7.2
Other Income	13 824 375	16.4
Interest Received	250 000	0.3
<b>Total Income</b>	<b>84 362 805</b>	<b>100.0</b>

- Grants and Subsidies and Electricity income are the major sources of income and constitutes 61.8% of total income.
- Actual income was marginally more than budgeted income.
- Actual income increased by 41,5% compared to the previous year.

Although the Municipality implemented the new Rates Act this only increased the Assessment Rates with 51.4% including the farmers.

## BALANCE SHEET

The Balance sheet is a snapshot of Council's financial standing at particular point in time. It reflects the financial results and policies and helps Council as well as outsiders to determine the asset worth of the municipality and to what extent that worth is encumbered.

Council must take note that the current asset exceeds the current liabilities and that means that the Municipality have the funds to pay their current liabilities. This is an improvement on the previous year where the current liabilities exceeded the current assets.

## FINANCIAL POLICIES

It is important to peruse the financial policies contained in the statements before analysing the statements.

There were no major policy reviews undertaken in the year under review.

Discussion of certain headings in the Balance Sheet follows.

## **CAPITAL EMPLOYED.**

This heading reflects the capital employed in the organisation and how that capital was generated. It mainly consists of two broad categories viz. **own** capital and **borrowed** capital and tells the reader where the ownership of the municipality actually vests.

### **Own Capital.**

Own capital is contained under the headings "Funds and Reserves" and "Accumulated Surplus/Deficit".

It will be noted that the **deficit in own funds** decreased from minus R7 398 466 to minus R2 733 194, which is mainly attributable to the grant received from Government and the repayment and settlement of the DBSA loan.

This situation effectively means that, on the face of the balance sheet, the municipality no longer has financial ownership of the municipality and that the capital employed is on a net basis externally funded.

### **Borrowed Capital**

Borrowed capital is contained under the headings "Trust Funds, Long Term Liabilities and Consumer Deposits: Services".

Borrowed capital totals R 10 037 778 which effectively serves to finance the deficit in own funds of R2 733 194.

From the above it is clear that, for the Municipality current assets exceeds its liabilities, which was not the position in the 2006/07 financial year and it means that the Municipality will be able to repay its Creditors and that the funds are cash backed in a Call Account or Money Market account.

## **DEBTORS.**

Debtors in respect of services amounted to R19 018 731 before the deduction of doubtful debts. An amount of R6 980 227.23 was written off during the financial year.

The performance overview above reflects a substantial deterioration in the situation despite the amount written off.

By having an inordinately high amount of revenue locked in debtors Council is effectively compromising its ability to finance infrastructure development desperately needed for economic growth and to eradicate service backlogs in underdeveloped areas.

The high amount contained in debtors reflects poorly on Council's ability to collect its revenue and furthermore causes unnecessary upward pressure on tariffs to compensate for doubtful debts.

It frustrates the strategic plan of Council in various ways and leads to inappropriate reductions in operating expenditure on essential items such as maintenance expenditure on infrastructure.

## CREDITORS

The total amount owing by Council to Creditors decreased from R16 589 325 to R7 801 260. The outstanding amount will be paid in July 2008.

## COUNCILLOR REMUNERATION

The amount spent on remuneration of Councillors increased by R 131 482 (8,79%).

## SECTION 57 EMPLOYEES

The amount spent on remuneration of Section 57 employees amounted to R 1 968 444. It must be noted that the position of Municipal Manager was only employed for 5 months during this year and that of the Manager Infra structure only for 2 months.

## OVERALL RESULTS AND COMMENTS

The overall results for the year has improved substantially, due to the assistance of the Government with the grant of R12,1 million and the write-off of the Development Bank of South African (DBSA) Loan.

Control over expenditure needs to be improved and a strategy adopted to wipe out the current deficit situation over a realistic period.

The financial targets contained in the overview above need to be adopted as benchmarks for future performance and progress needs to be regularly monitored to ensure compliance.

Revenue collection needs to be improved and tariffs must be restructured to make them cost related and user related and to ensure a more equitable distribution of the amount available for relief to the poor.

## KEY PERFORMANCE INDICATORS

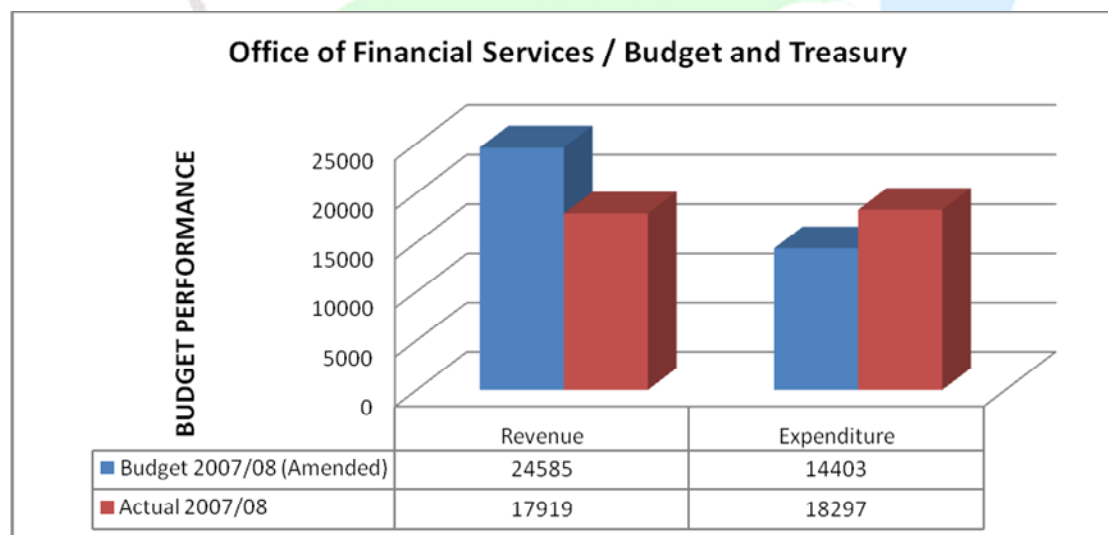
Objective	KPI	Target 2006/7	Result 2007/8	Comment for Variance
Comply with legal requirements	Produce financial statements on time	31 August each year	Complied	
	Produce budgets on time	Submitted to Council 31 May each year	Complied	
Financial sustainability	Collect all revenue due to municipality	Collect rate 97.5%	83%	Lack of capacity has been a contributing factor
	Ensure actual expenditure and income does not deviate from budget	Actual to be within 3% of budget	Expenditure within 1% - income deviated by 26%	Refer below for explanation

## PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Upgrade Financial System Be GAMAP Compliant (formerly financial planning and management)	BCR	680	BCR, DBSA	180	Inadequate money for the entire project – First phase was completed
Establish Customer Care Centre (formerly one stop service centre)	BCR	200	BCRM	100	Unfunded / Lack of internal funds
Electrical Inside/Outside Vending Machines	BCR	400	BCR, DBSA	200	Unfunded / Lack of internal funds
Electronic Meter Reading System	BCRM	230	BCRM	230	Unfunded / Lack of internal funds
Valuations (property for Rates Act)	BCR	1252	DLGH & TA	912	Property Valuations completed

## BUDGET PERFORMANCE:

Activity	Budget 2006/7 (amended) R'000	Actual 2007/8 R'000	Performance %	Target %
Revenue	24 585	17 919	73	100
Expenditure	14 403	18 297	127	100



The deviation in the income against budget was due to funds allocated to the budget, and then re-allocated to the Main Ledger due to using IMFO standards to complete the Financial Statements.

## 2.4 Office of Technical Services

The mandate of Technical Services is in line with the object of local government. That talks to infrastructure provision, maintenance and growth for social-economic development. For purposes of the report, the focus will be on:

- Water
  - Sewerage
  - Electricity
  - Roads and Stormwater
- Water Services**

The Integrated Development Plan (IDP) has a Chapter called Water Services Development Plan (WSDP) that captures the strategy and plans for water services. The Water Services Development Plan (WSDP) has been developed in line with Water Services Authority (WSA) mandate. The document details where there is a need for:

- Development of Infrastructure
- The status of Infrastructure
- Maintenance plan
- Upgrade of Infrastructure
- Growth patterns

Besides that, the Water Services Development Plan (WSDP) need to be reviewed to ascertain that some activities detailed have been affected. The document has some shortcomings like the Section 78 processes to be undertaken in order to model Water Services provision.

The electricity is guided the Electricity Master Plan. The plan is in place and also need to be reviewed. The focus of the plan is on:

- What Infrastructure network Blue Crane Route Municipality (BCRM) has
- Maintenance plan
- Upgrade process
- Staff complement

Let us move to the performance report on these Key Performance areas for 2007/2008:

TOLERANCE, TRUST, TENACITY



## WATER

### KEY PERFORMANCE INDICATORS:

Objective	KPI	Target 2007/08	Result 2007/08	Comment for Variance
<b><u>WATER:</u></b> <b>To provide basic services for all residents</b>	Water provided with set standards of quality	Standard for urban households	100%	Need to improve quality
	% HH with access to basic level of service	On-site tap / water meter – 100%	100%	Upgrade infrastructure
	% HH with access to basic level service - Recognised informal areas	On-site tap / water meter – 100%	<100%	Isolated households not supplied directly may exist on privately owned property
	No. of new connections	All	Nil required / undertaken	New houses will need
	Existence of a demand water management plan	Develop a plan	5%	More on the plan and funding
	% of network losses	Funding	DWAF - promise	More faster

### **CHALLENGES:**

The Blue Crane Route Municipality is having many challenges in terms of controls, monitoring and action to be taken within the Water department, they as follows:

- Staff to operate
- Staff to maintain
- Quality of Water
- Laboratory procedures

TOLERANCE, TRUST, TENACITY

**WATER PROJECTS:**

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Review Water Services Development Plan	BCR	250	CDM/DWAF	250	Appoint Service Provider
Upgrading of water treatment plant (Bestershoek)	Somerset East	1 500	Cacadu DM MIG	1710	Completed and need review
1ml Reservoir – Khanyiso	Pearston	1000	MIG	1000	Project delayed for further costing / budget allocation

**SEWERAGE****KEY PERFORMANCE INDICATORS:**

Objective	KPI	Target 2007/8	Result 2007/8	Comment for Variance
<b><u>SEWERAGE:</u></b>  To provide basic services for all residents	% HH with access to basic level of service	RDP standard	100%	Households with bucket service are subject to a program to eradicate this level of service
	No. of new connections	All	None required / undertaken	New housing program
	Bucket eradication	Approx 30 % to be replaced with new service level	completed	Phase 1 is approx. 30% of the total need)

**CHALLENGES:**

The Blue Crane Route Municipality is having many challenges in terms of controls, monitoring and action to be taken within the Sewerage department, they as follows:

- Upgrade of Sewer Works
- Anticipate for Housing Development
- Upgrade of Treatment Plants
- Personnel
- Sludge Pumps

## SEWERAGE PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Provision sanitation system to waterborne sewerage system (Nelsig & Khanyiso) 472 buckets eradication. Bucket eradication	Pearston	1891	MIG		To be included in Phase 2
Upgrade sanitation system of Bhongweni. 472 buckets eradication. Bucket eradication	Cookhouse	1891	MIG		To be included in Phase 2
Upgrade sewer treatment works in Cookhouse	Cookhouse	1 500	MIG	500	Project approved / waiting for completion of the Environmental Impact study
Upgrade Sewerage Treatment Plant	Somerset East	4 000	MIG	1 000	Project approved / waiting for completion of the Environmental Impact study
Upgrade sanitation system of Bhongweni. 1418 buckets eradication. Bucket eradication	BCRM	7 200	MIG	-	Not funded in 2006/7 / project delayed for a future year
Investigation of Storage Dam in the lower Mnandi Area	BCRM	200	BCR	200	Not started – project rescheduled for 2008/9

## ELECTRICITY

The Electricity network covers an area of approximately 9900 square kilometres, including the towns of Somerset East, Cookhouse and Pearston as well as an extensive farming community. This network has one of the largest overhead electricity networks in the country with only Eskom being larger. The supply ranges from a full connection and prepay system to a ready board system. Street lighting is provided to all urban neighbourhoods except for highmast lighting in the Old Location, New Brighton, Mnandi and Khanyiso. Our maximum demand is in the region of 10.3 MVA. The Municipality has its own distribution license to supply electricity to the rural area within the boundaries.

The electricity network is supplied at 11 kV via a main substation at the Electricity Department in Hospital Road.

Due to the current maximum demand and load growth in the area, the distribution network will have to be upgraded to allow for expansion. The current load growth based on applications for new connections will be approximately 11.5% per year over the next three years for the existing reticulated area. The load growth from 1990 to 2002 was below 1.5% per year.

The infrastructure in both the urban and rural areas is struggling to sustain the expansion and this leads to poor quality supply at times. Urgent funding will be needed to address problems identified in this report.

With the help of a grant of R3000 per house from Department of Minerals and Energy (DME) it has been possible to supply electricity to some 100 farm workers' houses.

Voltage regulators have been obtained to regulate fluctuations in the supply to the consumers in the Middleton and Klipfontein areas. These lines have extremely high load and supply fluctuations.

#### KEY PERFORMANCE INDICATORS:

Objective	KPI	Target 2007/8	Result 2007/8	Comment for Variance
<b><u>ELECTRICITY:</u></b>  To provide basic services for all residents	No. of new connections	Not determined	48 completed	New Housing Project
	% HH with access to basic level of service -	100%	100%	Isolated cases exist of households awaiting connections, This represents 0.3% of total consumers
	% of network losses	Not determined	Not determined	Need to find a system to assist in electricity network loss
	Indigent households supplied with free basic electricity	All qualifying households subject to application	Applications received 100% captured on Billing System	Registration for indigent needs to be streamlined.

#### ELECTRICITY PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding	2007/8 (R'000)	Performance
Line inspection, report, data capture	BCR	392	DME	-	Master Plans for urban and rural networks completed-
Farm Houses Electrification	BCR		DME	*	Project completed – approx 120 house connected
Additional cables from ESKOM supply	BCR	430	DME	200	Phase 1 complete

## ROADS AND STORMWATER

### KEY PERFORMANCE INDICATORS

Objective	KPI	Target 2007/8	Result 2007/08	Comment for Variance
<b><u>ROADS AND STORMWATER:</u></b>  Improvements / maintenance	1,3km of Gravel road resurfaced	1,3km at a cost of R	100%	Completed
	Number of tarred roads resurfaced	Not determined	Nil	
	Provide stormwater on all roads, bus links, link roads	1,3km	100%	Completed

### ROADS AND STORMWATER PROJECTS:

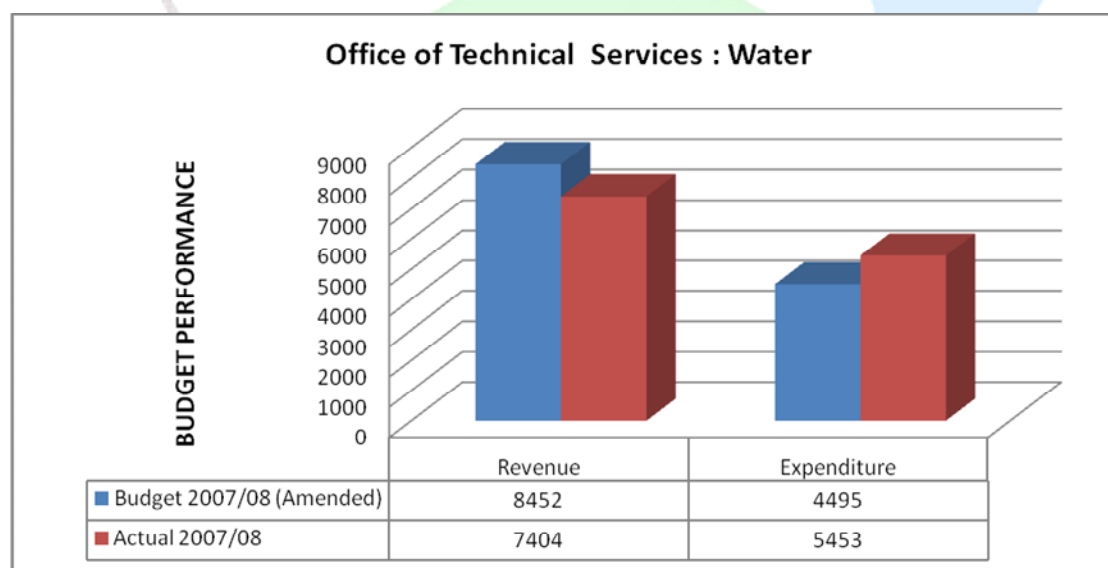
Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	PERFORMANCE
Upgrade gravel roads (Urban)	Cookhouse Somerset East Pearston	6 782	MIG	1532	Not available – incomplete
Upgrade and of maintenance rural roads	BCR Rural	40000	Dept. PW Cacadu DM, MIG	15000	Not undertaken by BCRM / other Government spheres responsible

TOLERANCE, TRUST, TENACITY



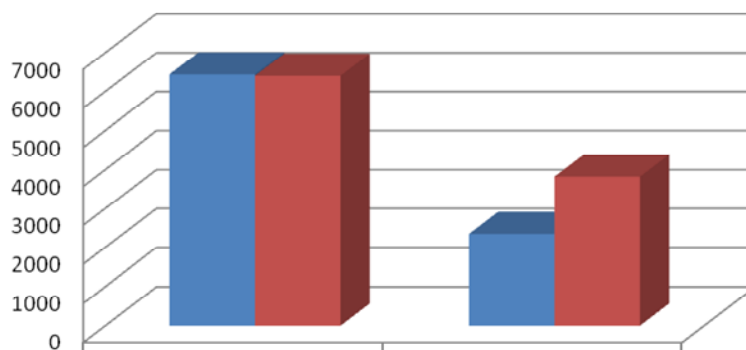
# **BUDGET PERFORMANCE:**

Activity	Budget 2007/8 (amended) R'000	Actual 2007/8 R'000	Performance %	Target %
<b>Water:</b>				
Revenue	8 452	7 404	88	100
Expenditure	4 495	5 543	121	100
<b>Sewerage:</b>				
Revenue	6 439	6 402	100	100
Expenditure	2 342	3 818	163	100
<b>Electricity:</b>				
Revenue	29 517	27 772	94	100
Expenditure	21 101	19 573	93	100
<b>Roads and Stormwater:</b>				
Revenue	5 253	5 068	97	100
Expenditure	5 252	5 068	97	100
<b>Building and Workshop:</b>				
Revenue	423	357	84	100
Expenditure	2 908	2 833	97	100



### Office of Technical Services : Sewerage

BUDGET PERFORMANCE



■ Budget 2007/08 (Amended)

■ Actual 2007/08

Revenue

Expenditure

6439

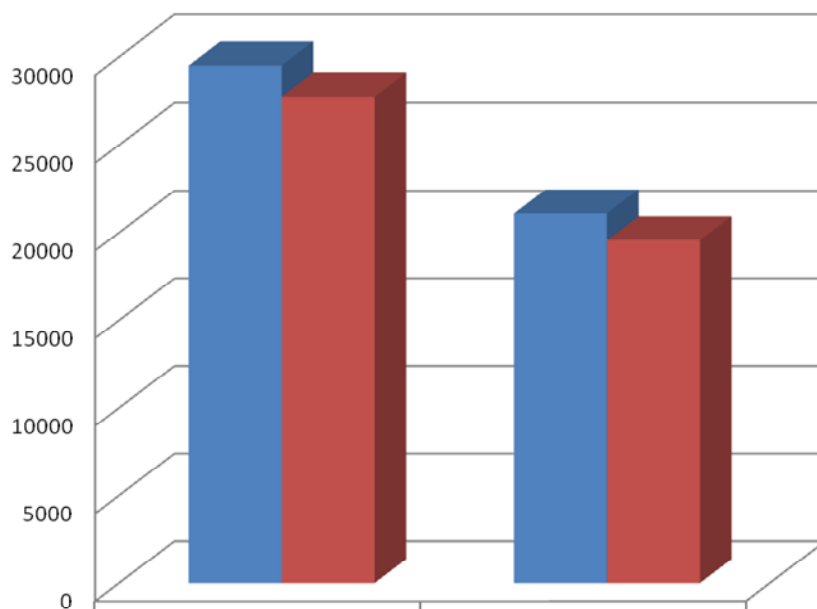
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6402

3818

### Office of Technical Services : Electricity

BUDGET PERFORMANCE



■ Budget 2007/08 (Amended)

■ Actual 2007/08

Revenue

Expenditure

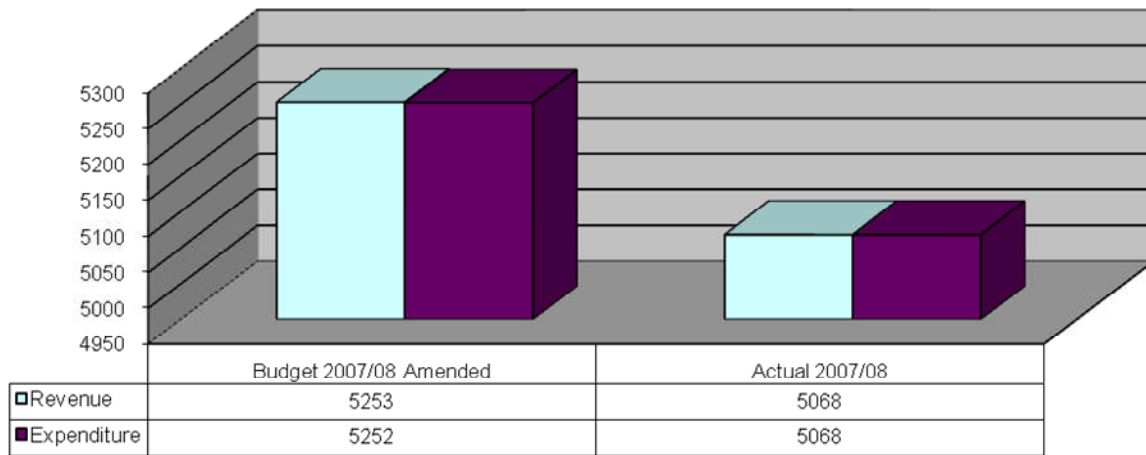
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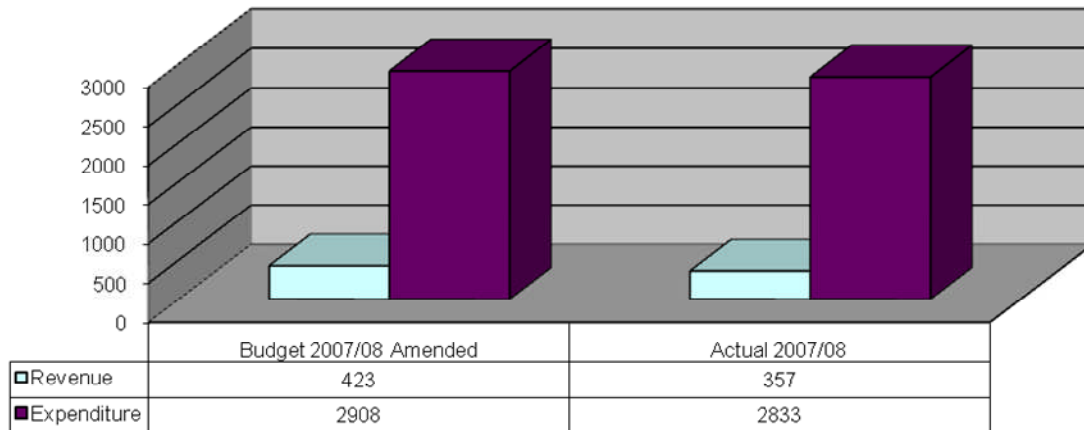
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### Office of Technical Services: Roads and Stormwater



### Office of Technical Services: Buildings and Workshop



## 2.5 Office of Community and Social Services

### 2.5.1 ENVIRONMENTAL HEALTH SERVICES

#### 2.5.1.1 MUNICIPAL HEALTH SERVICES

Important to mention is the fact that this service is a core competency of the District and therefore this Office tenders it on their behalf in terms of section 84 (1) (i) and 84 (3) of the Structure Act. The municipal health services are broadly defined in the National Health Act; 61 of 2003 and this report will therefore capture the fundamental activities of functions of municipal health that encompasses all other functions as defined in the latter Act. These functions were carried out in line with the other functions during the period under review and they are:-

##### 2.5.1.1.1 Food Establishments

During this period under review; this office visited and evaluated five hundred and twenty eight (528) food establishments throughout the areas of Blue Crane Route. All of these establishments were found with expired foodstuffs/products. Immediately; those products were condemned by the Environmental Health Practitioner's (EHP) and dispose off the proper way.

During this period; fifteen (15) food samples were taken for bacteriological analysis in order to make sure that the food sold to the people is fit for human consumption (see pictures below). Out of the fifteen (15) samples taken; eight (8) reflected the presence of *E.Coli*; *faecal enterococci* and *clostridium perfringens*. Immediately the Environmental Health Practitioner's (EHP) visited the affected shops and gave health education awareness talks. The talks focused more on personal hygiene; prevention of communicable diseases; cross contaminations etc. The unreported cases of food poisoning can only be attributed to the continuous health and hygiene awareness talks given by the Environmental Health Practitioner's (EHP) to all owner's and staff of food establishments not forgetting to mention the random exercise of food sampling.



**Milk Samples**



**Meat Samples collected for testing**

#### 2.5.1.1.2 Water Quality Monitoring

During this period; one hundred and twenty nine (129) water samples were taken throughout the areas of Blue Crane. Of the 129; only twenty three (23) samples were found not to be complying with SANS 241 of 2006 Health Maximum Limits. Immediately the matter was reported to Department Water Affairs and Forestry (DWAF); Local Service Area (LSA) Health office (Graaff-Reinet) and Blue Crane Route Municipality (BCRM) Infrastructure Department for intervention. Further investigations were done jointly with all these Departments in order to ascertain the depth of the problem. Water samples were again taken and stools for Micro-Culture and Sensitivity were taken from the children under the age of five (5) for confirmation reasons. The outcomes of all these investigations pointed to *Rotavirus* (see picture below).

The article on *rotavirus* and water purification before use was written by this office and was subsequently placed in the local newspaper as a way of educating the people. The same message was carried across through door-to-door campaigns and posters/fliers. The less privileged people were given JIK/BLEACH in order to further purify their water before use. Through all these interventions; the spread of *rotavirus* was contained to minimal even though the Hospital reported 2/3 cases of mortality. The unreported cases of water-related and water-washed diseases like *Cholera*, *Shigella Dysentery*, etc. can only be attributed to the continuous sampling of water and health education awareness talks.



*Water Samples taken testing*



#### 2.5.1.1.3 Health Education

This function is the most fundamental component of municipal health services because it seeks to prevent communicable or epidemiological disease from occurring. The latter lies in the premise of municipal health that says “*PREVENTION IS BETTER THAN CURE*”. of importance ; is the fact that this slogan is achieved in various ways from educating people about anti littering to boiling of water before use, health promotion etc. This part of the report will concentrate on anti-litter campaigns (see pictures below). During the period under review; several clean-up campaigns were arranged in collaboration with the schools; community members and municipal workers from Cleansing Section (see pictured below). The areas where illegal dumping was observed were transformed into “Mini Stone Parks”. The stones were painted lime and “NO DUMPING SIGNS” were erected next to the stones (see pictures below).



**Before Campaign**



**After Campaign**



**Before**



**After**

The members of the community were educated about this campaign and the importance of valuing it was over-emphasized. This was done merely for the purpose of their buy-in and cooperation. However, along the way the project collapsed due to

neglect and or lack of cooperation by the communities. /the following areas are as a result of this collapse:-

- Friends of the Environment who were elected by the community members to be the watchdogs of those who contravenes the law in their respective areas wanted some incentives which the Council did not have or budgeted for.
- By laws not being promulgated compromised the project.
- Refuse collection vehicles had major technical problems to an extent that this service was at times compromised.

### Highlight

Whilst the Department experienced all these waste management – related problems, service providers were contracted at times during the period under review to assist with the collection of refuse. This means that the situation was not terrible bad but was under constant attack.

#### 2.5.1.2 ENVIRONMENTAL EDUCATION

During this period; Blue Crane Route Municipality (BCRM) was the only Municipality in the Province to have an Environmental Education Unit. This Unit was conceived in September 2002 and ceased to function in December 2007 as a result of the departure of Ms Debbie Abrahamson. The Unit served all schools in the areas of Blue Crane including the rural schools.

It is important to mention that the Unit focused its efforts on learners and teachers at primary school level. Also important to mention are the Environmental- related programmes the Unit offered to mention. Water Week; Environmental week, Arbor week and all other Environmental Calendar programmes. The programmes benefitted the schools immensely and all schools within the Blue Crane Route Municipal Area were nominated to form part of the International ECO-SCHOOLS programme. All these schools were awarded with flags and portfolios indicating their commitment to environment.



**PROJECTS:**

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Tree Planting	BCR	120	DWAF	-	Project rescheduled for 2008/9
Environmental Awareness Campaigns	BCR	TBD	NMMM Donors	-	Project implemented / ongoing annual program
Prepare/maintain the Environmental Conservation Plan. <b>CDM is the lead agent in this regard</b>	BCR	150	CDM	75	In progress

**NEW PROJECTS:**

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Greening of Urban areas and biodiversity programmes.	BCR	520	DWAF, DEAT		Project implemented / ongoing annual program
Management Plan for Borrow Pits and Brickfields	BCR	150	CDM/ DBSA	150	Not implemented / funding to be sourced

### 2.5.1.3 CLEANSING (CEMETERIES; WASTE MANAGEMENT; SANDFILL SITE; PARKS AND OPEN SPACES AND BESTERSHOEK

This part of the report will be structured according to Achievements of Challenges of each component:

#### 2.5.1.3.1 CEMETERIES

##### 2.5.1.3.1.1 Achievements

During this period; Somerset East Town Cemetery had reached its fullest capacity and had to be closed down whilst seeking other practical alternatives. In the meantime this office together with the office of the Acting Municipal Manager arranged a meeting with Mr. Rowan van Gend of Urban Dynamics who advised the panel to re-open the cemetery for public use and rather extend the adjacent piece of ground that was long earmarked for cemetery development but not zoned accordingly. Indeed, his advice was implemented and the portion of land was subsequently zoned accordingly:

- All cemetery sites of Blue Crane Route Municipality (BCRM) were fenced for security and monitoring purposes;
- The Aeroville cemetery site was also extended to include the area that was overgrown within the existing site; Part of that area has been cleared and the



work of clearing the rest is in progress; This site is now operating normally even though its approaching its fullest capacity;

- On the other hand; Cacadu District Municipality (CDM) approved this department's application of cemetery land investigation in Areoville;
- Cacadu District Municipality (CDM) appointed a Consultant, SRK to undertake the study. The Consultant SRK identified three (3) candidates sites together with this office and geohydrological tests (Percolation test) were done to all sites (see the picture below) to determine suitability.



- A suitable site was then recommended and is waiting to be rezoned and fenced.
- Pearston and Cookhouse cemeteries are still pretty covered in terms of space and all other things.

#### 2.5.1.3.1.2 Challenges

All cemeteries of Blue Crane Route Municipality are operating without Caretakers and this is posing many challenges in terms of controls and monitoring of the sites.

Due to the unavailability of Caretakers, animals and stray animals gain access to the sites. Community members also gain free entry to the sites to an extent that some, just dug graves and bury their loved one's without consulting this office. Revenue was lost as a result of this practise.

Maintenance of sites turns to be a problem due to the same reasons mentioned in paragraph 1 and 2 of point 2.5.1.3.1.2.

#### 2.5.1.3.2 WASTE MANAGEMENT AND LANDFILL SITES

##### 2.5.1.3.2.1 Achievements

Development of an Integrated Waste Management Plan even though the final draft of document was tabled in front of the Council in November 2008 and is now waiting to be approved for implementation.

#### 2.5.1.3.2.2 Challenges

In terms of Section 20(1) of the Environment Conservation Act 73 of 1989, Cookhouse and Somerset East landfill sites are permitted, however they are not complying with the minimum requirements for Waste Disposal by Landfill as contained in the Department of Water Affairs and Forestry (DWAF) : Second Edition, 1998.

In terms of Section 20(1) of the Environment Conservation Act 73 of 1989, Pearston landfill site is not permitted and therefore operating illegal.

In terms of the National Health Act, 61 of 2003 and Eastern Cape Provincial Health Act, 10 of 1999, nuisance was found existing in all three (3) sites.

Landfill operations of all three (3) towns are not complying with the Occupational Health and Safety Act (1994).

Financial resources in terms of implementing the recommendations as stated in the Integrated Waste Management Plan.

#### KEY PERFORMANCE INDICATORS

Objective	KPI	Target 2007/8	Result 2007/8	Comment for Variance
<b>WASTE MANAGEMENT:</b>  To maintain and improve existing level of service to urban communities and ensure environmentally acceptable disposal methods.	% HH with access to basic level of service	100%	100%	Quality of service is restricted due to financial constraints / cash-flow limitations which is receiving attention

#### PROJECTS

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Formulate an integrated waste management plan	BCR	182	DEAT		Not started / rescheduled in 2007/8



### **2.5.1.3.3 PARKS AND OPEN SPACES**

#### **2.5.1.3.3.1 Achievements**

- Continuous maintenance of parks and open spaces.
- Alien or encroaching trees were removed from various areas of Blue Crane Route Municipality (BCRM) and the work is still in progress.

#### **2.5.1.3.3.2 Challenges**

- Parks with no proper equipment or no equipment at all.
- Financial resources to put equipment in the parks.

### **2.5.1.3.4 BESTERSHOEK RESORT**

#### **2.5.1.3.4.1 Achievements**

- Continuous maintenance of the resort.

#### **2.5.1.3.4.2 Challenges**

- Bestershoek to be absorbed / assimilated by the Blue Crane Development Agency (BCDA).

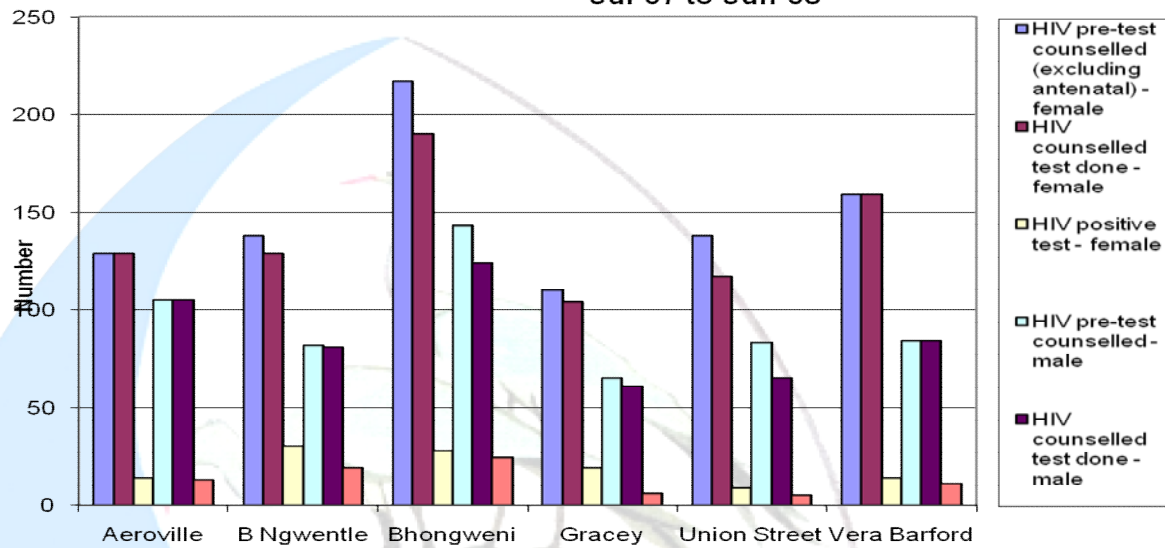
### **2.5.1.4 PRIMARY HEALTH CARE (PHC) SERVICES**

It is important to mention that this service is a core competency of the Department of Health and this Council renders it on their behalf through a binding agreement called Service Level Agreement (SLA). The Service Level Agreement (SLA) is received on an annual basis and signed thereafter even if the parties at times have not reached a consensus. This point is mentioned intentionally because the Department of Health maintains in Section 2(2.1.2) of the Service Level Agreement (SLA) of Primary Health Care (PHC) is based on the principle of co-funding where the Department of Health contributes 80% of the filled posts and the Blue Crane Route Municipality (BCRM) provides top-up funding of 20% to make 100%. During the period under review, the Service Level Agreement (SLA) was signed on the 13<sup>th</sup> of December 2007 at 100% subsidy of R4 493 816.81 which is an achievement this office is proud to announce. This amount was channeled to the following areas:

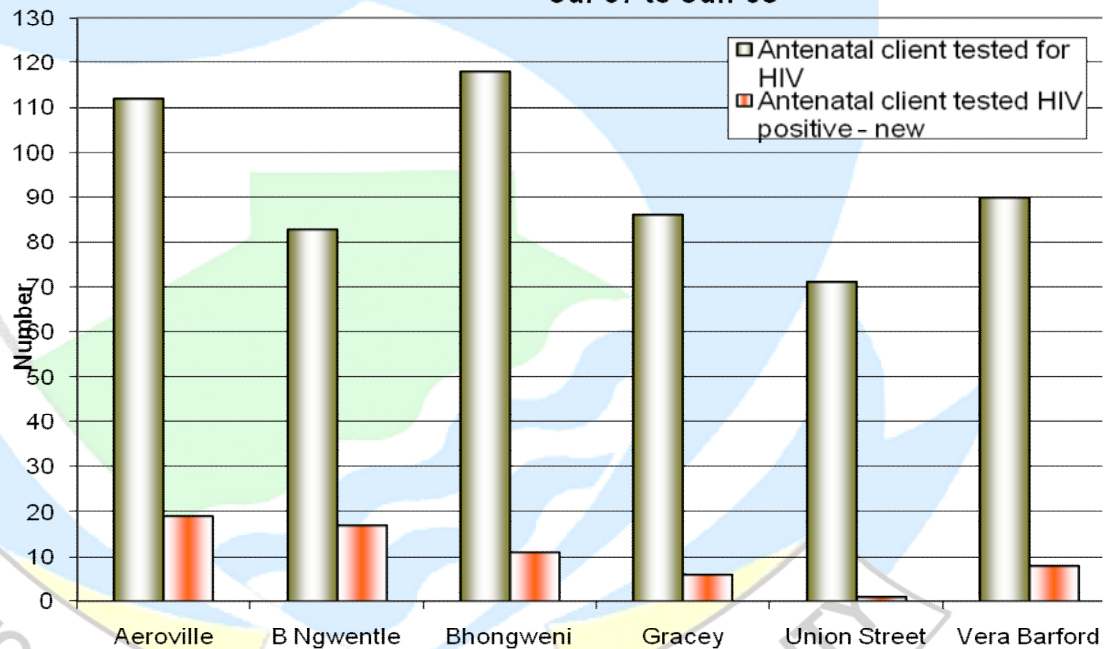
#### **2.5.1.4.1 Appointment of extra Professional Nurses**

During this period, the community of Blue Crane benefitted from a comprehensive Primary Health Care (PHC) quality service because each clinic out of six (6) was manned by three (3) to four (4) Nurses. This gave the Nurses a chance to focus on specific programmes in particular the demanding ones like HIV and AIDS; TB; PMTCT; Malnutrition and Antenatal care. The graphs below will show the impact of HIV and Aids from each clinic of Blue Crane Route Municipality:

HIV Information per Gender (Excl antenatal clients)  
Jul-07 to Jun-08



HIV Information on Antenatal Clients  
Jul-07 to Jun-08



It is safe to mention that the National Norms and standards of having one (1) clinic per 10 000 people were exceedingly met so were the objectives as reflected in the Integrated Development Plan (IDP).

#### 2.5.1.4.2 Extension: Union Clinic

During this period, the abovementioned clinic was extended (see the picture below) in order to accommodate the needs of the people living in the catchment area in terms of the clinic friendliness; population rate (statistics) and most of all privacy or perhaps Sister / Nurse – patient confidentiality. Work is still in progress.



#### 2.5.1.4.3 Toyota Avanza Vehicles

During this period, two (2) Toyota Avanza Vehicles were purchased and this increased mobility of Nurses in particular of the Supervisor in terms of supervising the Nurses and giving directions. Due to the latter, the quality of Nursing increased and the number of Nurses attending courses like TB management, VCT and PMTCT, IMCI to mention a few also increased.

#### 2.5.1.4.4 Equipment

During this period, clinical equipment was purchased for all six (6) clinics (see picture below) in order to ensure efficient and effective service. It is correct to mention that other items were provided in kind by the Department of Health in Graaff-Reinet.



*Various Equipment Received*



*Councillor Yantolo testing one of the Clinical equipment received*



#### 2.5.1.4.4 Extension of Bhongweni Clinic: Cookhouse

It is important to mention that the extension of this clinic does not form part of the amount already mentioned above of R4 493 816.81. The extension of this clinic to become a fully-fledged VCT site was announced by the Department of Health as one of the pilot projects among hundred (100) pilot projects identified in the Eastern Cape. Subsequently, Africon was contracted at R282 000.00 to undertake construction work. In turn, Africon sub-contracted the project to uMziwonke Construction Company. The project also created job opportunities for the most disadvantaged community members of Cookhouse. It is safe to mention that the project had its own challenges and hence it was rolled over to the next financial year of 2008/2009.



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#### KEY PERFORMANCE INDICATORS:

Objective	KPI	Target 2007/8	Result 2007/8	Comment for Variance
<b><u>PRIMARY HEALTH CARE:</u></b> Provision of primary health care	Reduce the impact of HIV and AIDS	Citizens in need / especially the youth	Not determined	Await Provincialisation
	Access to quality primary health care	All citizens	Provided to all in need	Nurses have challenges

#### PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Provision of new ambulance	Cookhouse	750	CDM/DoH	Not determined-	Provincialised
Aids Awareness Campaign and counselling plan	BCR	100	CDM/DoH	Not determined-	Shortage of staff to manage HIV/AIDS
Drafting AIDS plan/policy	BCR	150	DOH, BCMR	Not determined-	Draft

#### NEW PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Conversion of Pearston Clinic into a Community Health Centre	Pearston	750	Dept of Health	Not determined	Waiting for Dept. of Health

### 2.1.5.5 PROTECTION SERVICES (TRAFFIC, FIRE AND DISASTER)

#### 2.1.5.5.1 TRAFFIC SERVICES

This section is governed by the National Road Traffic Act, 93 of 1996. The report as it will unfold will reflect the applications of this Act.



#### 2.1.5.5.1.1 DRIVING LICENCE TESTING CENTRE (DLTC)

#### 2.5.5.1.1.1 LEARNERS LICENCE APPLICATIONS

PERIOD	NO OF LEARNERS LICENCE APPLIED FOR	AMOUNT
July 07	58	8 700,00
August 07	47	7 050,00
September 07	48	7 200,00
October 07	58	7 446,00
November 07	43	6 450,00
December 07	17	2 550,00
January 08	41	6 150,00
February 08	62	9 300,00
March 08	65	9 750,00
April 08	50	7 500,00
May 08	44	6 600,00
June 08	43	6 966,00
<b>TOTAL</b>	<b>576</b>	<b>85 662,00</b>

#### 2.5.5.1.1.2 LEARNERS LICENCES ISSUED

PERIOD	NO OF PEOPLE PASSED	AMOUNT
July 07	38	1 710,00
August 07	30	1 350,00
September 07	25	1 125,00
October 07	40	1 456,00
November 07	19	855,00
December 07	16	720,00
January 2008	22	990,00
February 2008	30	1 350,00
March 2008	40	1 800,00
April 2008	24	1 080,00
May 2008	38	1 710,00
June 2008	30	1 530,00
<b>TOTAL</b>	<b>352</b>	<b>15 676,00</b>

#### 2.5.5.1.1.3 DRIVING LICENCES APPLICATIONS

PERIOD	NO OF DRIVING LICENCES APPLIED FOR	AMOUNT
July 07	41	8 721,00
August 07	51	10 908,00
September 07	46	9 678,00
October 07	49	9 300,00
November 07	37	7 893,00
December 07	37	8 088,00
Jan 08	24	13 302,00
Feb 08	103	22 725,00
March 08	105	23 295,00
April 08	43	9 291,00
May 08	97	21 054,00
June 08	79	18 909,00
<b>TOTAL</b>	<b>712</b>	<b>163 164,00</b>

#### 2.5.5.1.1.4 DRIVING LICENCES ISSUED

PERIOD	NO OF PEOPLE PASSED	AMOUNT
July 07	15	2 295,00
August 07	11	1 683,00
Sept 07	11	1 683,00
October 07	12	1 352,00
November 07	26	3 978,00
December 07	15	2 295,00
Jan 08	17	2 601,00
Feb 08	15	2 295,00
March 08	15	2 295,00
April 08	14	2 142,00
May 08	17	2 601,00
June 08	21	3 465,00
<b>TOTAL</b>	<b>189</b>	<b>28 685,00</b>

TOLERANCE, TRUST, TENACITY

#### 2.5.5.1.1.5 PROFESSIONAL DRIVING PERMIT (PRDP)

PERIOD	NO	AMOUNT
July 07	30	2 250,00
August 07	21	1 575,00
September 07	18	1 350,00
October 07	23	1 694,00
Nov 07	21	1 545,00
Dec 07	20	1 500,00
Jan 08	19	1 425,00
Feb 08	33	2 475,00
March 08	15	1 125,00
April 08	20	1 500,00
May 08	35	2 625,00
June 08	74	1 944,00
<b>TOTAL</b>	<b>302</b>	<b>21 008,00</b>

#### 2.5.5.1.1.6 CREDIT CARD FORMAT DRIVING LICENCE

MONTHS	NO	AMOUNT
July 07	95	15 453,00
August 07	86	13 158,00
September 07	40	6 120,00
Oct 07	51	6 476,00
Nov 07	47	7 191,00
Dec 07	51	7 803,00
January 08	79	12 087,00
February 08	95	4 535,00
March 08	82	12 548,00
April 08	54	8 262,00
May 08	87	13 311,00
June 08	79	18 909,00
<b>TOTAL</b>	<b>795</b>	<b>R 119 377,00</b>

TOLERANCE, TRUST, TENACITY

#### 2.5.5.1.1.7 VEHICLE TESTING STATION (VTS)

##### REGISTRATION LICENCING OF VEHICLES

MONTH	NO	AMOUNT
July 07	54	12 765,00
Aug 07	56	11 965,00
September 07	44	8 199,00
October 07	46	8 073,00
November 07	21	11 145,00
Dec 07	45	8 095,00
Jan 08	64	12 137,00
Feb 08	46	9 981,00
March 08	49	9 585,00
April 08	20	5 828,00
May 08	37	7 356,00
June 08	45	10 140,00
<b>TOTAL</b>	<b>481</b>	<b>107 196,00</b>

#### 2.5.5.1.1.8 PERMITS (SPECIAL AND TEMPORARY)

MONTH	NO	AMOUNT
July 07	91	5 259,00
Aug 07	75	4 273,00
September 07	61	3 492,00
October 07	80	3 624,00
November 07	27	1 191,00
Dec 07	85	4 716,00
Jan 08	65	3 495,00
Feb 08	74	4 485,00
March 08	84	4 740,00
April 08	60	3 432,00
May 08	78	4 335,00
June 08	47	2 826,00
<b>TOTAL</b>	<b>747</b>	<b>42 244,00</b>

TOLERANCE, TRUST, TENACITY

**17,5% BLUE CRANE ROUTE MUNICIPALITY**

MONTH	AMOUNTS
July 07	R 26 675,00
Aug 07	31 752,00
September 07	36 426,95
October 07	42 660,00
November 07	45 534,29
Dec 07	17 645,23
Jan 08	40 626,95
Feb 08	30 215,35
March 08	33 928,02
April 08	17 028,39
May 08	34 738,12
June 08	27 359,00
<b>TOTAL</b>	<b>341 929,03</b>

**82,5% DEPARTMENT OF ROADS AND TRANSPORT**

MONTH	AMOUNTS
July 07	142 872,40
Aug 07	84 076,00
September 07	91 417,00
October 07	78 668,00
November 07	214 661,66
Dec 07	80 829,42
Jan 08	96 718,00
Feb 08	144 800,80
March 08	155 232,13
April 08	76 618,51
May 08	140 194,03
June 08	120 982,00
<b>TOTAL</b>	<b>887 934,75</b>

TOLERANCE, TRUST, TENACITY



2.5.5.1.1.9 LAW ENFORCEMENT (See pictures below)

**TRAFFIC VIOLATIONS**

MONTH	NO	AMOUNT
July 07	22	10 100,00
Aug 07	45	22 200,00
September 07	28	14 200,00
October 07	12	4 050,00
November 07	9	4 500,00
Dec 07	35	19 600,00
Jan 08	34	14 899,00
Feb 08	13	3 900,00
March 08	51	17 600,00
April 08	50	18 150,00
May 08	23	11 800,00
June 08	52	16 400,00
<b>TOTAL</b>	<b>362</b>	<b>R153 250,00</b>

2.5.5.1.1.10 SPEED CHECKS (See picture below)

MONTH	AMOUNTS
July 07	15
Aug 07	12
September 07	14
October 07	10
November 07	0
Dec 07	16
Jan 08	13
Feb 08	10
March 08	16
April 08	12
May 08	0
June 08	12
<b>TOTAL</b>	<b>120</b>

TOLERANCE, TRUST, TENACITY

2.5.5.1.1.11 ROADBLOCKS EXECUTED (See pictures below)

MONTH	AMOUNTS
July 07	1
Aug 07	2
September 07	2
October 07	0
November 07	0
Dec 07	2
Jan 08	1
Feb 08	0
March 08	0
April 08	0
May 08	0
June 08	1
<b>TOTAL</b>	<b>9</b>

2.5.5.1.1.12 WARRANTS OF ARRESTS EXECUTED

MONTH	AMOUNTS
July 07	-
Aug 07	-
September 07	-
October 07	-
November 07	-
Dec 07	1
Jan 08	-
Feb 08	-
March 08	-
April 08	-
May 08	-
June 08	-
<b>TOTAL</b>	<b>1</b>





#### 2.1.5.5.2 FIRE SERVICES

This services is governed by the Fire Brigade Services Act, 99 of 1987. The Act defines this service as a service employed for preventing the outbreak or spread of fire, fighting or extinguishing the fire, the protection of life or property against a fire or other threatening danger, the rescue of life or property from a fire or other danger, or the performance of any other function connected with any of the matters referred to above. This definition is included in this report purposely because this Department had long operating contrary to this definition due to unavailability of proper staff trained to execute the content of the definition and unavailability of proper equipment to support the content of the definition. During the period under review, the Department identified a candidate through a selection process of the Municipality to undergo a training(Fire Fighter Course) in order to become a Fire Fighter/Fire Officer. All expenses for the course were paid by Cacadu District Municipality. The Department is hoping that the Fire Fighter or Fire Officer will be able to put the systems in place and thus co ordinate fire services throughout BCRM in a manner that is required by the Act.

### 2.1.5.5.3 DISASTER MANAGEMENT

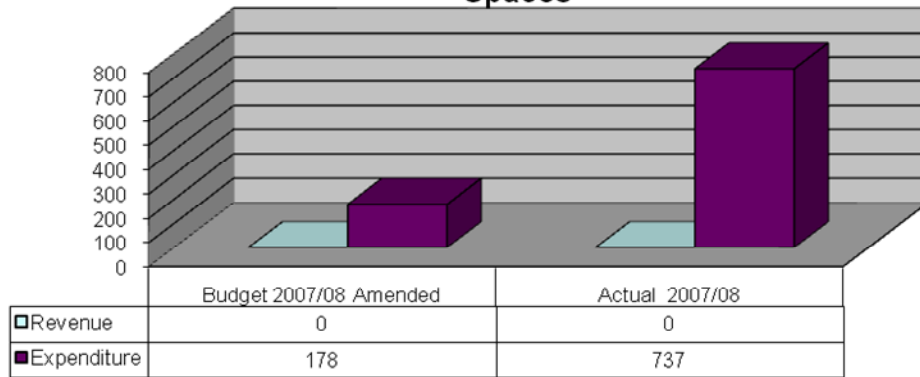
This service is governed by the Disaster Management Act, 57 of 2002. Underpins this Act is a Disaster management Plan. During this period, this Department together with Cacadu District Municipality undergone a process of identifying the possible risks/hazards prone to this area of BCMR. This stage led us into drafting an informal Disaster Management Plan. The work is still in progress. It is hoped that a Disaster Management Plan (formal) will ultimately be produced that will guide this Department in processes of disaster.

#### BUDGET PERFORMANCE

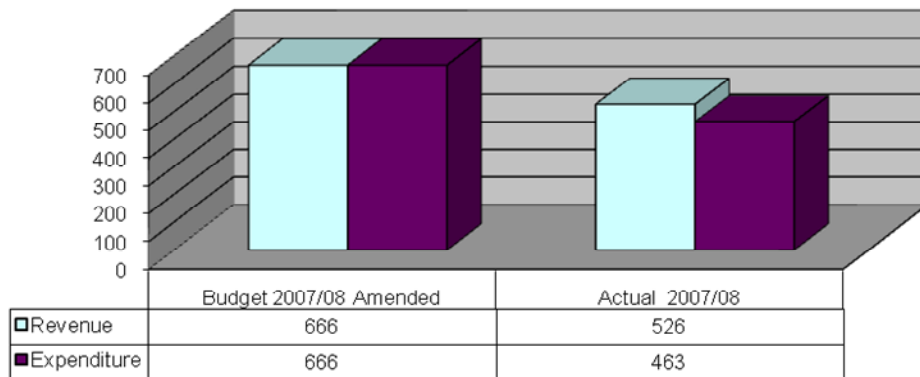
Activity	Budget 2007/8 (amended) R'000	Actual 2007/8 R'000	Performance %	Target %
<b>Cemeteries / open spaces:</b>				
Revenue				100
Expenditure	178	737	72	100
<b>Environmental Health:</b>				
Revenue	666	526	79	100
Expenditure	666	463	70	100
<b>Cleansing /Refuse:</b>				
Revenue	9 503	9 097	96	100
Expenditure	6 859	7 436	108	100
<b>Clinics:</b>				
Revenue	3 653	3 049	83	100
Expenditure	3 646	3 051	84	100
<b>Environmental Education:</b>				
Revenue				
Expenditure	29	4	14	100
<b>Traffic:</b>				
Revenue	4 180	2 393	57	100
Expenditure	2 526	2 541	101	100
<b>Disaster Management and Fire:</b>				
Revenue	17			100
Expenditure	104	101	97	100
<b>Bestershoek :</b>				
Revenue				100
Expenditure	125	338	270	100



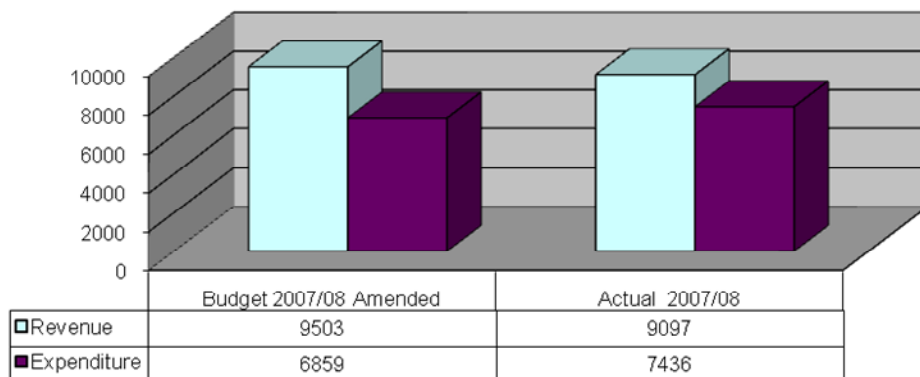
### Office of Community and Social Services: Cemeteries and Open Spaces



### Office of Community and Social Services: Environmental Health

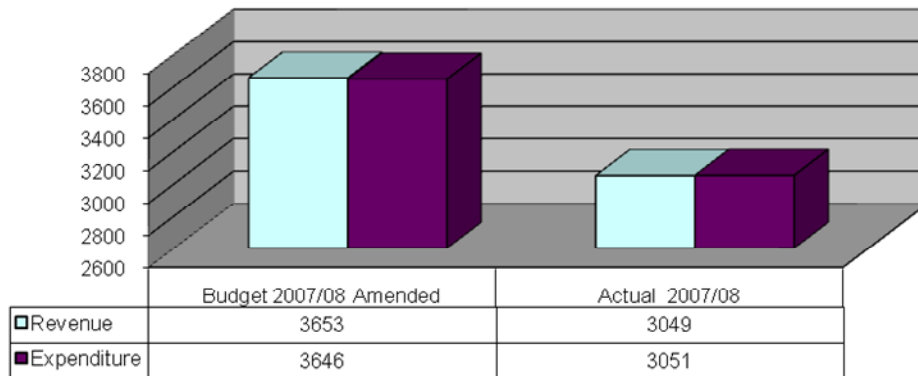


### Office of Community and Social Services: Cleansing/Refuse

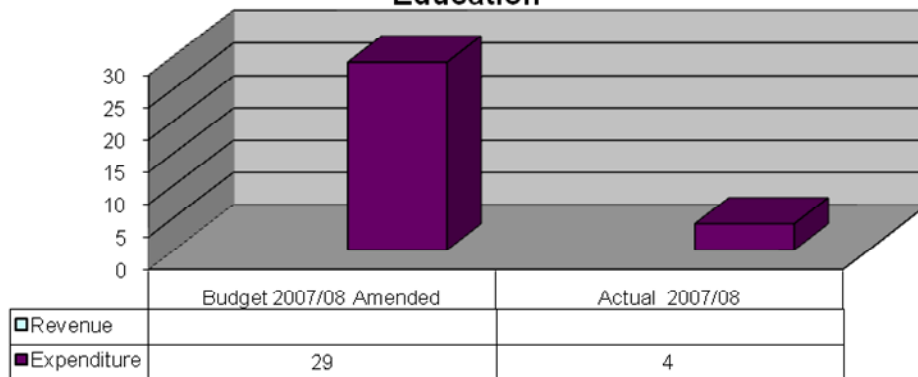




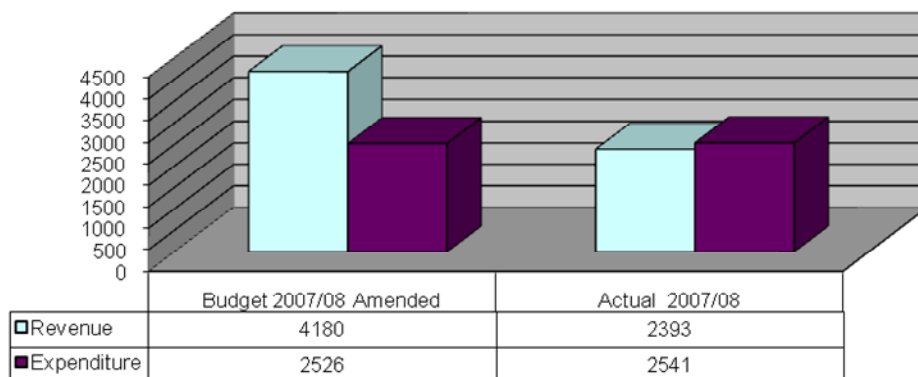
### Office of Community and Social Services: Clinics



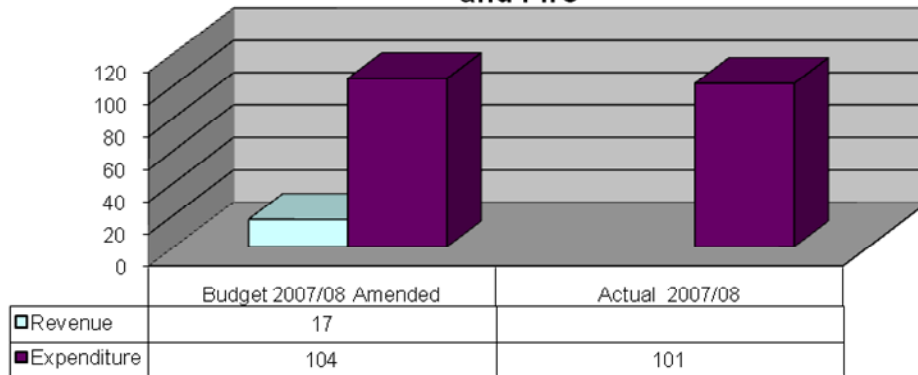
### Office of Community and Social Services: Environmental Education



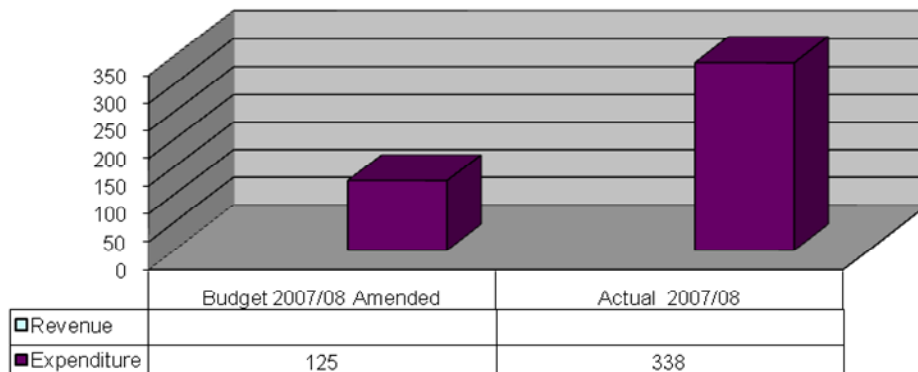
### Office of Community and Social Services: Traffic



### Office of Community and Social Services: Disaster Management and Fire



### Office of Community and Social Services: Bestershoek



TOLERANCE, TRUST, TENACITY

## 2.6 Corporate Services

Corporate Services is responsible for the following:

- Administrative Systems and Procedures
- Human resources
- Legal services
- Library Services
- Housing
- Halls
- Secretarial Services
- Registry and Archives

### 2.6.1 BLUE CRANE DEVELOPMENT AGENCY (Information submitted by BCDA)

#### General History

The Blue Crane Municipality (BCRM) is a municipality established in terms of the Demarcation Act of 2000 and incorporates the previous municipalities of Somerset East, Cookhouse and Pearston. The BCRM covers an area of approximately **9914 square kilometres** and is geographically the largest municipality in the Western Region of the Eastern Cape. With the 1994 elections, a new political dispensation was established in S.A. This new dispensation dramatically changed the governmental structures at municipal level. Local government was given its own sphere of governance and development responsibilities in terms of the IDP process. This meant that local government got the added responsibility of ensuring economic development in sectors that were not previously part of local governmental development. The main potential developmental areas that have been identified are; Agriculture, Tourism, and Business.

Within the constraints of practical municipal capacity, the traditional basic community services were prioritized over other economic developmental areas. The fundamental and historical responsibilities of other more important, sectors like Housing, Water provision, Sanitation etc. were the primary targeted development sectors. As well as providing basic needs, it was also the responsibility of local municipalities to implement the transformation processes, and they were thus tasked with the re-structuring of the municipalities (Development of District municipalities etc). Vacant municipal land, commonages and buildings were low on the development priority list. In terms of government legislation, the municipalities were tasked to appoint an office carrying responsibility for implementation as well as drafting and annual reviewing of an Integrated Development Plan (IDP). These plans were designed to have a major impact on local economic development. Up to 2008 these plans have impacted on the improvement of basic services but very few of the local economic upliftment plans (if any) have been implemented.

However in 2000, the already over extended local governments did not have the capacity or financial means required to develop or realize these plans. With this in mind and with the local government having been tasked by national government to initiate and implement local economic development, the necessity for the creation of a planning and implementation forum then arose in the year 2002.

Individual developers in the BCRM have successfully implemented various projects in the years before 2004. These developers then amalgamated to form a partnership under the name of "Blue Crane Planners and Developers". (BCP&D) The Blue Crane Route Municipality (BCRM) thus decided to task the above-mentioned organization to promote these newly targeted areas (Agricultural, Tourism and Business) by establishing a **Development Forum** to act as an overarching framework for planning, coordination and developmental implementation. This forum was then tasked with the drafting of a development plan for each sector, utilizing the IDP plan as reference. The plans had to reflect a comprehensive development and management plan that

would be practical to implement. For these plans a detailed umbrella plan was drafted incorporating all the identified sectors. Before the final establishment of the Development Forum the BCP&D convinced the BCRM to adopt a **DEVELOPMENT AGENCY** strategy. The BCRM had no funding available for the drafting of all the necessary documentation and studies. A lack of funding thus inhibited the functioning of the proposed **Development Forum**.

#### Institutional History

The IDC has commenced with the establishment of development agencies in 2001 after being requested by the government to create new local development agencies to assist the current municipal LED function with identifying/implementing larger projects that could in reality have a major positive impact on the local economies of municipalities. In July 2003 the BCRM applied to the IDC for the establishment of a local development agency after the BCRM took a council resolution reflecting this action. The application was approved in February 2004. A contract was signed between the IDC and BCRM. The agency was established as a section 21 company since no clear legislation existed at that time to define the institutional arrangements.

#### *Period 1: Initial Legal entity: (Section 21 company)*

The BCDA was initially established as a section 21 company. The BCDA then functioned through:

- 1) Board of Directors, which consists of the town mayor, vice-mayor, municipal manager and two additional members. (In the 2006 local elections these members lost their council seats and official status)
- 2) the BCP&D as drivers/consultants, appointed as full time drivers.
- 3) Company (BCDA) managed by an Executive Committee. (Constituted from all sector managers, chaired by a Program Manager)

The initial board consist of the following members:

- |    |                              |                                   |
|----|------------------------------|-----------------------------------|
| 1) | Mr. M. Mjadu (Chairperson) : | Mayor then Parks Board Official   |
| 2) | Mr. E. Doro :                | Councillor then resident Pearston |
| 3) | Mr. D. Claassen :            | Municipal Manager then SANPARKS   |
| 4) | Mrs. M Liddel :              | Official then private resident    |

#### *Period 2: Section 21 company managed by the municipality*

The next period in the BCDA history reflected the BCDA functioning under the authority of the BCRM council. Since the promulgation of the MFMA and the systems acts, it became clear that all previous established agencies will have to adhere to certain corrective measures in its structures. The primary corrective measures were:

- 1) Board members: (No municipal officials, Councillors allowed as members)
- 2) Legal entity (Dev. agencies could be converted into any one of the possible entities as described below)
  - a) Municipal entity
  - b) Multi Juridical entity (Managed by several municipalities)
  - c) A private company (controlled by municipality)

The legislation stipulated that previous established agencies had an unspecified window period for conversion (legalisation).

The BCDA was fully incorporated and managed by the BCRM in this period and took part in all the planning exercises of the municipality, including the projects as incorporated in the BCRM's IDP.

Regular meetings with the municipality and senior staff were held and council specifically perused the agencies monthly/Annual reports.

### *Period 3: BCDA functioning as a Municipal Entity*

The BCRM as the parent body was thus responsible for converting the agency to a municipal entity. Unfortunately, at the same time the local elections took place and the new councillors had to be convinced to convert the agency as scepticism influenced the council to believe that the BCDDA is an unconstitutional entity. Council appointed Mr. Volcker (an accountant) to investigate the agency's previous actions. He compiled a report indicating that the BCDA is a legal instituted entity in terms of previous legislation but should be converted into a municipal entity under the new MFMA. Many delays followed before the BCRM requested Mr. B. Allchurch (Attorney from P.E.) to drive the conversion process. The by-laws were published (June 2006) and the appointment of a new board was expected soon afterwards. Delay after delay followed and the BCDA board was eventually inaugurated in January 2008.

The Corporate Services Department is responsible for the following disciplines:-

#### **2.6.2 Administrative Systems and Procedures**

The Department consists of thirty seven (37) filled positions and three (3) vacant positions. The Corporate Services Department is the custodian of Council's Human Resource Policies. There are currently fourteen different approved Human Resource Policies.

Support services towards the well-being of employees throughout the Municipality are being rendered. This section is also responsible for all town and regional planning related matters.

#### **2.6.2.3 Human Resources Development**

A Training Committee has been established which is overseeing and facilitating training of all staff members within the Municipality. Personnel and Leave files exist for each employee within the Municipality and are being administered within the Human Resources Section. The Local Labour Forum, which is a statutory requirement, is established and functions well. It contributes towards the stable labour relations and environment currently experienced within the Municipality.

#### **2.6.4 Legal Services**

This function is being outsourced and Council is currently making use of a number of attorney companies. This is posing a huge challenge in terms of resources and an alternative is being looked at in order to reduce legal costs. The way forward is that Council, together with many other small Municipalities throughout the country, has engaged with the Chief Law Advisor who is offering their services free of charge. A Meeting in this regard was held during December 2008, whilst a follow up Meeting is to be scheduled soon. The services to Municipalities to be considered by the Chief Law Advisor, include the provision of legal opinions and drafting of contracts.

#### **2.6.5 Library Services**

There are currently six (6) libraries operational within the Municipal area, namely:-

- Langenhoven Library, Somerset East
- WD West Library, Westview, Somerset East
- Dr Ngcipe Library, Somerset East
- Aeroville Library, Aeroville, Somerset East
- Ernst van Heerden Library, Pearston
- Cookhouse Library, Cookhouse.



The Libraries are well utilised by the residents of Blue Crane Route Municipality and provide services in the areas of research, education, recreation and development. Books available at these Libraries include research, fiction and non-fiction, education, recreation and the art.

An amount of R567 000.00, in the form of a grant, was spent on the upgrading of libraries within the Blue Crane Route Municipal area. The bulk of this money was spent on the repairs of buildings and to also improve security at the libraries. Funds were also spent on equipping libraries better in terms of the availability of information and service delivery. This is an ongoing exercise as more funding has been promised by the Provincial Authorities.

Aeroville Library currently consists of a prefabricated structure. This Library has the same book circulation as Langenhoven Library and definitely needs to be replaced by a permanent building. Efforts are made to secure funding to build such a library in Aeroville.

#### **2.6.5 Housing**

The following Housing Projects have been approved by the Department of Housing:-

- Old Location – 200 units
- Chris Hani - 387 units – later increased to 400 units

The Projects commenced during September 2008. The progress made until now is not satisfactory. The challenges which threaten the successful completion of the project include late payments to Supplier and emerging contractors. The quality of the houses built is also a concern. However, Council together with the Department of Housing is in the process of implementing remedial steps to correct the situation.

##### **2.6.5.1 Community Halls**

There are currently nine Community Halls within the Municipal area, namely:-

- Town Hall, Somerset East;
- Glen Avon Hall, Mnandi, Somerset East
- Francisvale, Westview, Somerset East
- Youth Centre, Somerset East
- Town Hall, Pearston
- Khanyiso Hall, Pearston
- Nelsig Hall, Pearston
- Town Hall, Cookhouse
- Madiba Hall, Cookhouse

The Halls are currently being upgraded. Work has started in Cookhouse and has progressed to Somerset East at the moment. This Project will continue into the next financial year as it will also be extended to Pearston.

#### **2.6.6 Secretarial Services**

Council Minutes are recorded, but also available in hard copy format and can be obtained from the Corporate Services Department on request. Meetings are convened as per pre-determined and approved dates. These Council Meetings are also advertised in the local

newspaper. A Register for Council Resolutions exist which assist with the implementation, execution and monitoring of such resolutions.

#### 2.6.7 **Registry and Archives**

The Municipality is making use of the National Minimum Information Requirement Filing System for the Human Resource record keeping whilst the Functional System is being utilised to keep the rest of Council's records.

The Department of Sport, Recreation, Arts and Culture is the custodian of these filing systems and also see to the implementation thereof. During its last audit in accordance with Section 13(2)(b) of the Provincial Archives and Record Service Act (Eastern Cape) (No 7 of 2003), it was found that the filing system in Blue Crane Route Municipality is in order.

#### **KEY PERFORMANCE INDICATORS:**

Objective	KPI	Target 2007/8	Result 2007/8	Comment for Variance
Statutory compliance	Increase staff safety awareness – Occupational Health and Safety	100% of work force comply with health and safety regulations	30% Progress	Key positions vacant
	Review and implement Work Place Skills Plan	100% skilled workforce	Majority of General Workers still unskilled	No SDF and limited resources
	Develop Employment Equity Plan for 5 years	Gender equality and totally representative	No EEP Fairly representative	Key positions vacant
	PMS aligned to IDP	100% alignment	90%	Some senior Management positions not appointed yet
Efficient administrative systems	Personnel selection and recruitment	Fully operational	100%	None
	Archives and filing	Up to date	90%	Short of staff continue training of staff
	Minutes and agendas produced on time and accurate	7 days before meeting	90%	Departments submit reports late
	Reviewed Organogram	Populated Organogram	80%	Vacant key positions not filled due to Budget Constraints
Public Participation	Well function Ward Committes	All ward committees are functional	50%	Limited resources term expired

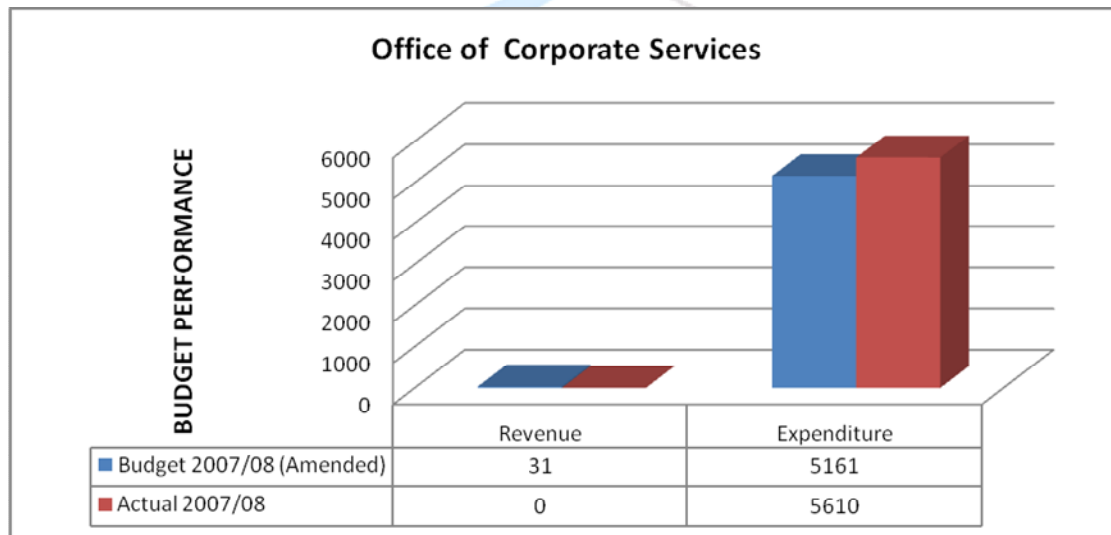
	Have the Community participate in the affairs of Council	Community attend Council meetings	10%	Look for alternative communication methods
	Advertise Council meetings	Advertise all Ordinary Council Meetings in at least local paper	100%	None
Service Delivery	Give Community access to clean and well maintained Community Halls	Clean and well maintained Halls	50%	Budget Constraints
Land administration	Land Audit	100%	10% progress Quotations invited	Received funds late from Department

#### HOUSING PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Completion of blocked housing project (24 units)	Pearston	170	Dept. HLG&TA	-	Waiting for approval beneficiary lost
Chris Hani Institution Upgrade (550)	Somerset East	15 550	CDM, Dept. HLG&TA		Waiting for approval beneficiary lost
14 houses for Addo National Park workers	Somerset East	450	Dept. HLG&TA	150	To be finalised with Park officials

#### OTHER PROJECTS:

Project/Activities	Target Group/ Location	Total Cost (R'000)	Source of Funding		
				2007/8 (R'000)	Performance
Populate new organogram	BCR	2 100	MUN	700	Little progress Budget constraints
Prepare a performance management system	BCR	300	CDM	100	Implementation at 1 <sup>st</sup> level Managers
Establish A GIS	BCR	300	DBSA	200	Unfunded Project – No funding yet.
Establish and implement a Gender Equity program	BCR	100	Dept. Labour/ BCRM	50	40% progress
Formulate an Institutional Programme (Skills Development Plan)	BCR	200	BCRM	100	20% progress Budget constraints
Fleet Purchase and Management System	BCR	4000	BCR	954	No progress Budget constraints
Tractor Purchase	BCR	300	Dept of Agriculture	300	



### **3 HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT**

#### **3.1 Introduction**

The human resource component is vital for service delivery aspects. It is also the function that is able to provide support for the transformation of the labour force within the municipality.

#### **3.2 Skills Development Courses**

Skills development is a national priority and to this end the Municipality has undertaken training in the following fields for 2007/8:

- Municipal Administration
- Finance Management
- Learnerships:
  - Water purification
  - Water reticulation
  - Electrical Engineering
- Traffic Officer Course
- ABET
- Project Management
- Occupation Health & Safety

#### **3.3 Skills Level of Employees.**

The majority of staff from Senior Management Level to Junior Management Level are skilled in jobs they are performing, however, there is always room for improvement. Skills of General Workers need to be improved as the majority are unskilled. Council has prioritized the training of General Workers, taking into account the challenge of limited resources.

### 3.4 Demographical Profile and vacancies per Occupational Category as at 30 June 2008

Through planned strategies the Municipality has the following demographic profile

Occupational Categories	Males			Females			Total
	African	Coloured	White	African	Coloured	White	
Legislators, Senior Officials & Managers	11	2	10	12	3	2	40
Professionals						2	2
Technical & Associate Professionals	20	1	1	13	3	2	40
Clerks	10	1	6	12	8	11	48
Service and Sales Workers	2	1	-	4	1	-	8
Skilled Agricultural and Fishery Workers	-	-	3	-	-	-	3
Craft and Related Trades Workers	-	7	4	-	-	-	11
Plant & Machine Operators & Assemblers	25	5	-	1	-	-	31
Elementary Occupations	137	45	-	20	8	-	210
<b>GRAND TOTAL</b>	<b>205</b>	<b>62</b>	<b>24</b>	<b>62</b>	<b>23</b>	<b>17</b>	<b>393</b>

### 3.5 Appointments and Promotions

The smooth running of an organization is supported by a process of effectively dealing with resignations, retirements and other exits from the municipal environment. To this end the municipality has performed as follows in 2007/8:

- Vacancies carried for 12 months
  - Municipal Manager
  - Skills Development Facilitator
  - Building Inspector
- Vacancies carried for 6 months
  - Manager : Technical Services
  - Special Projects Officer
  - Accountant Expenditure



## 4 **AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

### 4.1 **Report of the Auditor General on the Financial Statements and Performance Management**

#### **REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE BLUE CRANE ROUTE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Introduction**

1. I have audited the accompanying financial statements of the Blue Crane Route Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xxj] to rxxl.

##### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
  - designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
  - selecting and applying appropriate accounting policies; and
  - making accounting estimates that are reasonable in the circumstances.

##### **Responsibility of the Auditor-General**

3. As required by section 188 of the "Constitution of the Republic of South Africa," 1996 ""read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1 to the financial statements.

#### **Bases for qualified opinion Fixed assets**

9. The existence of a sample of fixed assets amounting to R66.2 million could not be verified due to the inadequate description of these fixed assets as recorded in the fixed asset register. The municipality's records do not permit the application of alternative procedures regarding the existence of these fixed assets. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the existence of fixed assets.

#### **Leave pay provision**

10. As indicated in note 12 to the financial statements, the municipality has recognised a leave pay provision amounting to R2.3 million. The existence, valuation and completeness of this balance and the corresponding expense included within the salaries, wages and allowances expense cannot be verified as a result of the unsatisfactory state of the leave records.

#### **Provisions for landfill site rehabilitation**

11. The municipality has not complied with section 28 of the National Environment Management Act 1998 (Act No. 107 of 1998). A provision for the landfill site rehabilitation has not been raised in the financial statements, with the result that provisions and operating expenditure are understated by an amount of approximately R2 million.

#### **Commitments**

12. As indicated in note 27 to the financial statements, the municipality has disclosed commitments amounting to R1.3 million. However, this amount is not complete as a commitment of R1 million relating to a project funded by the Department of Water Affairs had not been included therein.

#### **Provision for bad debts**

13. Indigent debtor balances amounting to R463 970 that are not older than 90 days were not considered to be recoverable and were not included in the provision for bad debts. As a result of this, debtors are overstated by this amount and operating expenditure is understated.

#### **Traffic income**

14. Significant shortfalls were noted between the amounts that should have been deposited with the municipality by the traffic department (with regard to income collected by the traffic department on behalf of the municipality) and the amounts that were actually deposited. The municipality's records did not permit the application of alternative audit procedures regarding the quantification of this shortfall.

## Expenditure

15. Formal written price quotations for procurements with a transaction value exceeding R10 000 up to R200 000 (VAT included) could not be provided for expenditure amounting to R408 674, as required by Supply Chain Management (SCM) Regulation 12(b). Furthermore, no evidence could be provided to determine whether a competitive bidding process had been followed for transactions with a value of above R200 000 (VAT included) and the procurement of long-term contracts amounting to R3,4 million, as required by SCM Regulation 12(c).

Due to the lack of supporting documentation I was unable to verify whether or not the above expenditure was incurred in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) *Municipal Supply Chain Regulations*. The municipality's records did not permit the application of alternative procedures regarding its compliance with the SCM Regulations. Consequently, I did not obtain all the information and explanations considered necessary to satisfy myself that such expenditure was not irregular.

## Qualified opinion

16. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Blue Crane Route Municipality as at **30 June 2008 and its** financial performance and cash flows for the year then ended **have been** prepared, **in** all material **respects**, in accordance with the basis of accounting as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA and the DoRA.

## Emphasis of matters

I draw attention to the following matters: **Going concern**

17. The municipality's total liabilities exceeded its total assets by R2,7 million and the accumulated deficit at year-end amounted to R10 million. The municipality was unable to settle creditors as and when they fell due. These conditions pointed to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. This uncertainty was not disclosed in the financial statements.

TOLERANCE, TRUST, TENACITY

## Highlighting critically important matters presented or disclosed in the financial statements

Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct

18. As disclosed in note 28 to the financial statements, fruitless and wasteful expenditure amounting to R152 936 was incurred as creditors were not paid timeously.

## OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### Internal controls

19. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting Item	Control environment	Control Activities	Control activities	Information and communication	Monitoring
Fixed assets			X		
Leave pay provision			X		
Provision for landfill site rehabilitation	X				
Commitments			X		
Provision for bad debts	X				
Traffic income			X		
Expenditure			X		



**Control environment:** establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

**Risk assessment:** involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

**Control activities:** policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial risk mitigation strategies are carried out.

**Information and communication:** supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allow people to carry out their financial reporting duties.

**Monitoring:** covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

Non-compliance with applicable legislation

20. Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

20.1 All monies owing by the municipality were not paid within 30 days of receiving the relevant invoice or statement as required by section 65(2)(e) of the MFMA.

20.2 The annual report for the 2006-07 financial year was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127 of the MFMA.

20.3 The requirements of section 46 of the MFMA relating to long-term liabilities were not complied with as the municipality had incurred a

long-term liability with respect to the purchase of a motor vehicle on behalf of an official. Thus the long-term liability incurred was not for one of the purposes permitted in terms of the aforementioned section.

21. Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

21.1 The internal auditors did not audit the performance measurements on a continuous basis as required by the *Municipal Planning and Performance Management Regulations Gazette 7146* issued in *Government Gazette No. 22605 of 24 August 2001*, section 14(c), read in conjunction with section 45 of the MSA.

22. Value-Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act)

22.1 The requirements regarding tax invoices as stipulated in section 20 of the VAT Act were not complied with in all respects.

23. National Water Act, 1998 (Act No. 36 of 1998)

23.1 The requirements of part 8 of this act relating to the compulsory licensing of water use in respect of specific resources were not



complied with as the municipality had not registered one of its dams.

### Matters of governance

24. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

1.0  2.0 Matters of governance	Yes	No
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.		X
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.	X	
<b>Internal audit</b>		
• The municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.	X	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		X
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.	X	
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.		X
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		X
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	X	

### Unaudited supplementary schedules

25. The supplementary statistical information set out in appendix F to the financial statements does not form part of the financial statements and is presented as

additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

## **OTHER REPORTING RESPONSIBILITIES**

### **REPORT ON PERFORMANCE INFORMATION**

26. I was engaged to review the performance information.

#### **Responsibility of the accounting officer for the performance information**

27. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

28. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

29. In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

30. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### **Audit findings (performance information)**

##### **Performance information not received in time**

31. I was unable to complete an evaluation of the quality of the reported performance information as set out on pages xx to xx of the annual report, since the information was not received in time.

## **OTHER REPORTS**

### **Investigations**

32. An investigation was conducted with regard to the municipality's fleet management. The investigation was finalised subsequent to the financial year-end and management was in the process of addressing the findings.

33. The municipality is currently conducting an investigation into the shortfalls between the amounts that should have been deposited with the municipality by the traffic department (with regard to income collected by the traffic department on behalf of the municipality) and the amounts that were actually deposited.

## **APPRECIATION**

34. The assistance rendered by the staff of the Blue Crane Route Municipality during the audit is sincerely appreciated.

Port Elizabeth  
30 November 2008

### **4.2 Response on the Audit Report and corrective action taken**

#### **RESPONSE BY THE BLUE CRANE ROUTE MUNICIPALITY TO THE REPORT OF THE AUDITOR-GENERAL ON THE ANNUAL FINANCIAL STATEMENTS OF THE MUNICIPALITY FOR THE FINANCIAL YEAR 01 JULY 2007 TO 30 JUNE 2008**

### **1. Introduction**

The purpose of this report is to provide responses to the issues contained in the report of the Auditor-General for the financial year 2007-2008 in order to enable the municipality to deal with the report in terms of the Municipal Finance Management Act.

The Auditor-General issued the final version of the report on 30 November 2008. The municipality received the report on 01 December 2008. This leaves insufficient time for implementing most of the required remedial actions in respect of the matters raised in the report. There is therefore a strong likelihood of such matters reappearing in the Auditor-General's report for future financial years.

The Auditor-General's report contains numerous issues of qualification and the Auditor-General has consequently issued a qualification on the financial statements of the municipality for the financial year ended 30 June 2008.

The Auditor-General furthermore reported on a number of matters under the heading "Emphasis of Matter" and "Other Matters" which are material and also require a response and corrective actions to be implemented by the municipality.

## 2. Statutory Requirement

In terms of Section 131(1) of the Municipal Finance Management Act 56 of 2003 “ *the municipality must address any issues raised by the Auditor-General in an audit report. **The mayor** of a municipality must ensure compliance by the municipality with this sub-section*”.

In terms of section 131(2) of the Municipal Finance Management Act **the MEC** must:

*“asses all annual financial statements of municipalities in the province, the audit reports on such statements and any responses of municipalities to such audit reports, and determine whether municipalities have adequately addressed any issues raised by the Auditor-General in audit reports”*

### 3. Modus Operandi

This report contains responses to the Auditor-General's report for the 2007/2008 financial year for consideration by Council.

The specific issues raised by the Auditor-General will be addressed under the respective references quoted in the report, repeating the full text of the Auditor-general's report on any specific matter for ease of reference.

Basis for Qualified Opinion by Auditor-General	A-G Ref.	Comments by Auditor-General	Response
Fixed Assets	9	The existence of a sample of fixed assets amounting to R66.2 million could not be verified due to the inadequate description of these fixed assets as recorded in the fixed asset register. The municipality's records do not permit the application of alternative procedures regarding the existence of these fixed assets. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the existence of fixed assets.	Noted. The Municipality is in the process of Unbundling its infrastructure 2008/2009 financial year and the assets will then be properly verified and marked.

<b>Provision for leave pay</b>	10	As indicated in note 12 to the financial statements, the municipality has recognised a leave pay provision amounting to R2.3 million. The existence, valuation and completeness of this balance and the corresponding expense included within the salaries, wages and allowances expense cannot be verified as a result of the unsatisfactory state of the leave records	Noted.  Price Waterhouse Coopers our Internal Auditors will undertake a 100% reconciliation of leave records between January and March 2009.
<b>Provision , for landfill site rehabilitation</b>	11	The municipality has not complied with section 28 of the National Environment Management Act 1998 (Act No. 107 of 1998). A provision for the landfill site rehabilitation has not been raised in the financial statements, with the result that provisions and operating expenditure are understated by an amount of approximately R2 million.	Noted. In the 2007/08 financial year The BCMR was allocated R193 000 To prepare a environmental management plan. This plan was In final draft format at 30 June 2008. However we were aware of major Shortfalls in providing this service. In the 2008/09 Budget the BCMR Made provision to purchase 4 trucks, front end loader and a bull Dozer to maintain this sites. The further licensing to close, identify new sites and do the Environmental Impact studies will be done by the Dept concerned and they were advised to develop a business plan and get the projects registered and funded by the MIG - National.
<b>Commitments</b>	12	As indicated in note 27 to the financial statements, the municipality has disclosed commitments amounting to R1.3 million. However, this amount is not complete as a commitment of R1 million relating to a project funded by the Department of Water Affairs had not been included therein.	Noted. We agree that this was a oversight and we will be more careful in future. However take note that the funds were kept in trust In a special bank.
<b>Provision for Bad Debts</b>	13	Indigent debtor balances amounting to R463 970 that are not older than 90 days were not considered to be recoverable and were not included in the	Noted. The materiality of this years audit is R800 000, however steps are been taken to review and amend the Indigent Creditor Control and Debt Collection



		provision for bad debts. As a result of this, debtors are overstated by this amount and operating expenditure is understated.	Policies for the write-off of arrear debt for indigent beneficiaries on registration after all legal processes has been taken care of.
<b>Traffic income</b>	14	Significant shortfalls were noted between the amounts that should have been deposited with the municipality by the traffic department (with regard to income collected by the traffic department on behalf of the municipality) and the amounts that were actually deposited. The municipality's records did not permit the application of alternative audit procedures regarding the quantification of this shortfall	Noted.  We agree and the Dept. of Roads and Transport is currently undertaking an audit in this regard.
<b>Expenditure</b>	15	Formal written price quotations for procurements with a transaction value exceeding R10 000 up to R200 000 (VAT included) could not be provided for expenditure amounting to R408 674, as required by Supply Chain Management (SCM) Regulation 12(b). Furthermore, no evidence could be provided to determine whether a competitive bidding process had been followed for transactions with a value of above R200 000 (VAT included) and the procurement of long-term contracts amounting to R3,4 million, as required by SCM Regulation 12(c).  Due to the lack of supporting documentation I was unable to verify whether or not the	Noted. Attached hereto a spreadsheet with the related expenditure and explanation for basis of expenditure.

		<p>above expenditure was incurred in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) <i>Municipal Supply Chain Regulations</i>. The municipality's records did not permit the application of alternative procedures regarding its compliance with the SCM Regulations. Consequently, I did not obtain all the information and explanations considered necessary to satisfy myself that such expenditure was not irregular</p>	
<b>Qualification of opinion</b>	16	<p>In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Blue Crane Route Municipality as at <b>30 June 2008 and its</b> financial performance and cash flows for the year then ended <b>have been</b> prepared, <b>in</b> all material <b>respects,</b> in accordance with the basis of accounting as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA and the DoRA.</p>	Noted.
<b>Going concern</b>	17	<p>The municipality's total liabilities exceeded its total assets by R2,7 million and the accumulated deficit at year-end amounted to R10 million. The municipality was unable to settle creditors as and when they fell due. These conditions pointed to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. This</p>	Noted. The BCRM has developed a turnaround strategy to address ongoing issues of concern as well as the funding deficit in respect of funds and reserves and the accumulated deficit.

		uncertainty was not disclosed in the financial statements	
<b>Highlighting critically important matters presented or disclosed in the financial statements</b>	18	<p>Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct</p> <p>As disclosed in note 28 to the financial statements, fruitless and wasteful expenditure amounting to R152 936 was incurred as creditors were not paid timeously.</p>	<p>Noted. Due to cash flow problems experienced during the year Council did approve the fruitless and wasteful expenditure related to interest paid to overdue accounts. This was done when the Financial Statements were tabled to Council before submission to the office of the A-G</p>

### Other Matters contained in the A-G's report

<b>Internal controls</b>	19	<p>Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component</p>	<p>Noted. The BCRM has under taken a risk assessment with assistance with our Internal Auditors PWC to address these matters. Management is in the process of addressing critical areas of risk as uplifted through this process.</p>
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Reporting Item	Control environment	Control Activities	Control activities	Information and communication	Monitoring
Fixed assets			X		
Leave pay provision			X		
Provision for landfill site rehabilitation	X				
Commitments			X		
Provision for bad debts	X				
Traffic income			X		
Expenditure			X		

**Control environment:** establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

**Risk assessment:** involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

**Control activities:** policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial risk mitigation strategies are carried out.

**Information and communication:** supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allow people to carry out their financial reporting duties.

**Monitoring:** covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

<b>Non-compliance with applicable legislation</b>	20	Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)	
	20.1	All monies owing by the municipality were not paid within 30 days of receiving the relevant invoice or statement as required by section 65(2)(e) of the MFMA	Noted. Due to cash flow problems Experienced during the year Council Did approve the fruitless and wasteful expenditure related to interest paid to overdue accounts.
	20.2	The annual report for the 2006-07 financial year was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127 of the MFMA.	Noted. We do not agree with this exception The Annual Report was tabled on 29 January 2008 Resolution Nr. 028/08
	20.3	The requirements of section 46 of the MFMA relating to long-term liabilities were not complied with as the municipality had incurred a long-term liability with respect to the purchase of a motor vehicle on behalf of an official. Thus the long-term liability incurred was not for one of the purposes permitted in terms	Noted. We do not agree the official concerned Forfeit her car allowance, we need to disclose the allowance within her payslip for accounting purposes, but immediately thereafter we recover this amount from her. We need also to disclose this allowance on her payslip for her personal tax. We however wrote to the office of the A-G in this regard and explained that the official concerned must have a vehicle to perform her official duties and this was to be treated as a merit case. As the official is over 65 years of age and not in possession of a drivers licence, Council is obliged to give her a vehicle and a driver. There for we request a special condonation.
<b>Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)</b>	21.1	The internal auditors did not audit the performance measurements on a continuous basis as required by the <i>Municipal Planning and Performance Management</i>	Noted. It will be brought under the attention of the Audit Committee, that only 3 meetings were held instead of 4 and this resulted into non-compliance.

		<i>Regulations Gazette 7146 issued in Government Gazette No. 22605 of 24 August 2001, section 14(c), read in conjunction with section 45 of the MSA.</i>		
<b>Value-Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act)</b>	22.1	The requirements regarding tax invoices as stipulated in section 20 of the VAT Act were not complied with in all respects.	Noted. We agree and this has been brought under the attention of the officials concerned, and procedures will be implemented	
<b>National Water Act, 1998 (Act No. 36 of 1998)</b>	23.1	The requirements of part 8 of this act relating to the compulsory licensing of water use in respect of specific resources were not complied with as the municipality had not registered one of its dams.	Noted. The BCRM has requested Dept of Water and Forestry to include the Dam referred to in the Query Named Lake Berty in the dam risk inspection and furthermore also to register the dam with DWAF as this dam was not registered before.	
<b>Matters of governance</b>	24	The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:	Noted. The BCRM has under taken a risk assessment with assistance with our Internal Auditors PWC to address these matters. Management is in the process of addressing critical areas of risk as uplifted through this process.	
<b>Matters of governance</b>			<b>Yes</b>	<b>No</b>
<b>Audit committee</b>				
• The municipality had an audit committee in operation throughout the financial year.			X	
• The audit committee operates in accordance with approved, written terms of reference.				X
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.			X	
<b>Internal audit</b>				



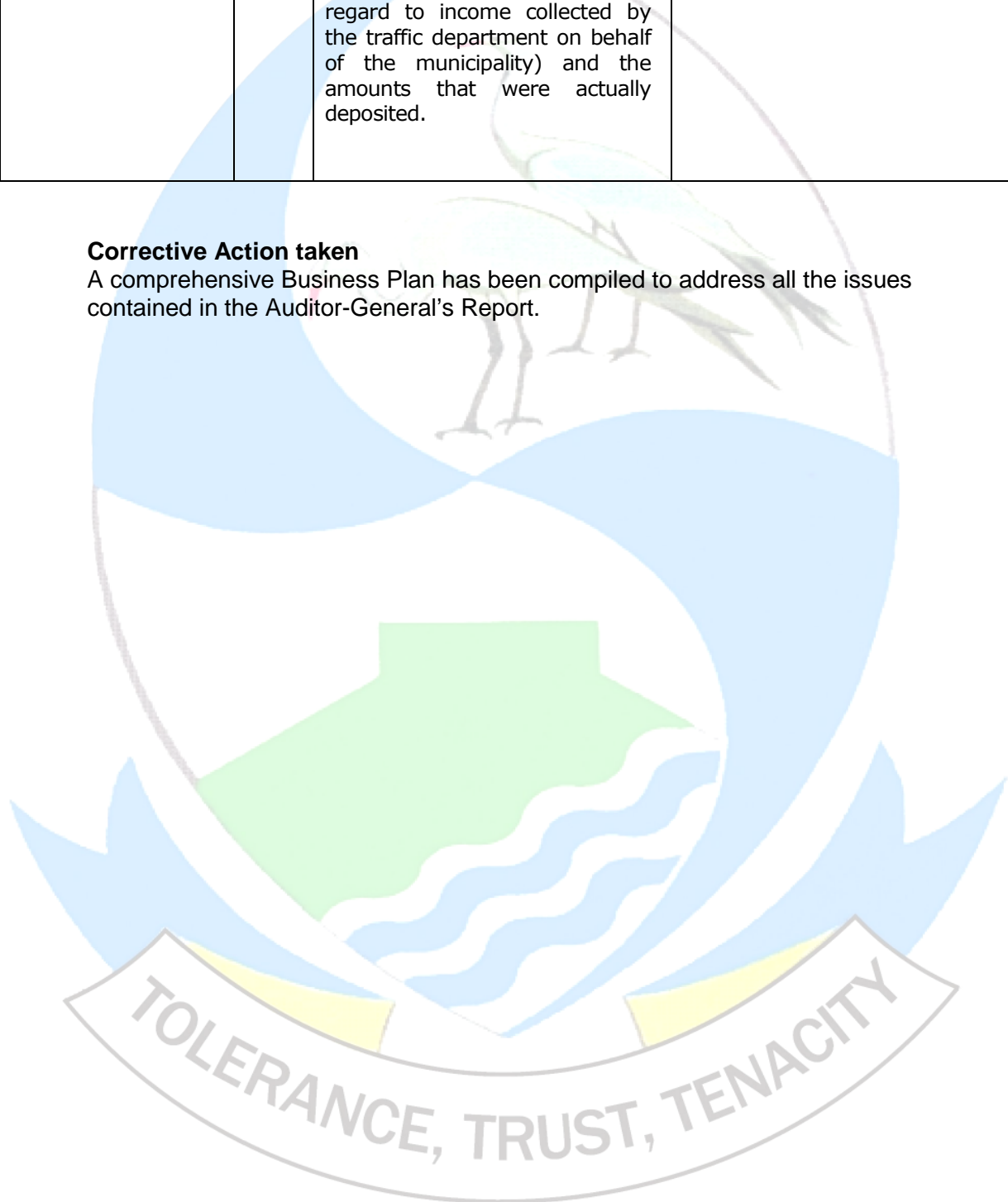
<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>		X	
<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		X	
<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.</li> </ul>		X	
<b>Other matters of governance</b>			
<ul style="list-style-type: none"> <li>The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.</li> </ul>		X	
<ul style="list-style-type: none"> <li>The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.</li> </ul>			X
<ul style="list-style-type: none"> <li>The financial statements submitted for audit were not subject to any material amendments resulting from the audit.</li> </ul>		X	
<ul style="list-style-type: none"> <li>No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.</li> </ul>		X	
<ul style="list-style-type: none"> <li>The prior year's external audit recommendations have been substantially implemented.</li> </ul>		X	
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>			
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.</li> </ul>			X
<ul style="list-style-type: none"> <li>The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>			X
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>		X	
<b>Unaudited supplementary schedules</b>	25	The supplementary statistical information set out in appendix F to the financial statements does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.	Noted.
<b>OTHER REPORTING RESPONSIBILITIES</b>			
<b>REPORT ON PERFORMANCE INFORMATION</b>	26	I was engaged to review the performance information.	Noted. The Mayor has not completed the score cards for the Acting Municipal Manager, Finance Manager, Acting Infra-Structure Manager and the Institutional Score cards for the third and fourth quarter at the time of audit, therefore we agree that information was not available for auditing. Subsequent to the above this information has been updated and will be forwarded to the next audit committee for review.
<b>Responsibility of the accounting officer for the performance information</b>	27	In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of	Noted. This will be improved and included in the 2007/2008 annual report.

		section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).	
<b>Responsibility of the Auditor-General</b>	28	I conducted my engagement in accordance with section 13 of the PAA read with <i>General Notice 616 of 2008</i> , issued in <i>Government Gazette No. 31057 of 15 May 2008</i> and section 45 of the MSA.	Noted.
	29	In terms of the foregoing, my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.	Noted.
	30	I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.	Noted
<b>Audit findings ( Performance information)</b>			
<b>Performance information not received in time</b>	31	I was unable to complete an evaluation of the quality of the reported performance information as set out on pages xx to xx of the annual report, since the information was not received in time	Noted
<b>OTHER REPORTS</b>			
<b>Investigations</b>	32	An investigation was conducted with regard to the municipality's fleet management. The investigation was finalised subsequent to the financial year-end and management was in the process of addressing the findings.	Noted. This has been concluded and the recommendation is in the process of implementation. This also forms part of our approved turn around strategy.

	33	The municipality is currently conducting an investigation into the shortfalls between the amounts that should have been deposited with the municipality by the traffic department (with regard to income collected by the traffic department on behalf of the municipality) and the amounts that were actually deposited.	Noted. We agree and the Dept. Of Roads and Transport is currently Undertaking an audit in this regard

**Corrective Action taken**

A comprehensive Business Plan has been compiled to address all the issues contained in the Auditor-General's Report.



### 4.3 Financial Statements

#### ACCOUNTING OFFICER'S REPORT FOR THE YEAR ENDED AT 30 JUNE 2008

#### 1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30/06/08 are as follows:

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	
Income					
Opening deficit	(16,646,733)	(14,524,085)			
Appropriations for the year	4,542,645	4,468,826			
Operating income for the year	59,534,258	81,844,877	37%	84,362,805	-3%
	<b>47,430,170</b>	<b>71,789,618</b>		<b>84,362,805</b>	

<b>Expenditure</b>					
Operating expenditure for the year	61,954,255	81,825,352	32%	73,360,621	12%
Appropriations for the year					
Closing deficit	(14,524,085)	(10,035,734)			
	<b>47,430,170</b>	<b>71,789,618</b>		<b>73,360,621</b>	

**Significant variances:**

The main reason for the increase in the expenditure and income since the previous year, are the additional grant funding for operating expenditure of R12 100 000 from National Government and the fully redemption (settlement) of the DBSA loan of R8 294 246. The provision for bad debts also increased with R1 858 693 in the 2007/08 financial year.

#### 1.1 Rates and General Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget %
Income	27,500,342	46,668,684	70%	49,917,238	-7%
Expenditure	37,112,864	56,799,399	53%	51,288,898	11%
Deficit	(9,612,522)	(10,130,715)	5%	(1,371,660)	639%
Deficit as % of total income	-35%	-22%		-3%	

**Significant variances:**

The reason for the variances under income and expenditure, is the same as above.

#### 1.2 Summary of the operating results of the local authority's Trading Service:

##### Water Service

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget
Income	6,700,069	7,403,837	11%	7,328,394	1%
Expenditure	3,445,898	5,453,323	58%	3,371,166	62%
(Deficit)/Surplus	3,254,171	1,950,514	-40%	3,957,228	-51%
Surplus/(Deficit) as % total income	49%	26%		54%	

**Significant variances:**

Provision for bad debts of R1 607 692 to this service increased the total expenditure. No provision for bad debts were made in the budget under this service.

## Electricity Services

	Actual 2007	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual Budget
Income	25,333,847	27,772,356	10%	27,117,173	2%
Expenditure	21,395,493	19,572,630	-9%	18,700,557	5%
(Deficit/Surplus	3,938,354	8,199,726	108%	8,416,616	-3%
Surplus/(Deficit) as % total income	16%	30%		31%	

### Significant variances:

No interest was anymore payable to DBSA for a external loan. Therefore the expenditure decreased since the previous year and the surplus increased. The interest payable was an amount of R1 968 262 in the 2006/07 financial year.

## 2, CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to

The actual expenses were less than the amount budgeted for and consist off the following: -

	Actual 2007 R	Budget 2008 R	Actual 2008 R
Airfield	2,138,585	2,450,543	3,105,668
Clinics		256,033	
Commonage and Pound		205,000	332,434
Council's Generated Expenses		40,000	12,122
Estates and Properties		13,590	12,397
Public Works	524,856	1,878,374	1,226,504
Town Planning	44,613		0
Bestershoeck		12,000	5,486
Environmental Health		11,020	
Municipal Manager, Corporate and Finance	124,648	314,860	288,525
MIG Administration		24,000	14,115
Traffic	6,431	5,000	2,279
Cemetries			
Fire Brigade			
Parks and Recreation		95,240	
Refuse Removal Services	-	900,000	55,427
Sewerage Services	4,391,042	7,635,947	6,626,671
Electricity Services	509,913	3,072,088	205,056
Libraries	168,627	197,000	410,772
Water Services	3,038,050	1,129,067	29,208
	<b>10,946,765</b>	<b>18,239,792</b>	<b>12,326,664</b>

Resources used to finance the fixed assets were as follows: -

- Internal Sources	415,188	3,174,893	815,624
- External Sources	10,531,577	<b>15,064,899</b>	11,511,040
Other Sources	280,180		
External Loans	1,178		
Government Grants	10,250,219	15,064,899	11,511,040
	<b>10,946,766</b>	<b>18,239,792</b>	<b>12,326,664</b>

### Significant variances:



The underspend in relation to the budgeted amount is attributable to the lack of finance.

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

### **3. EXTERNAL LOANS, INVESTMENTS AND CASH**

The annuity loan of Development Bank was fully redeemed during the year. An amount of R8 294 246 was paid as a settlement redemption for the year. The difference of R7 238 070 was written off during the year by the Bank. The arrear interest of R4 976 821 was also written off by DBSA.

The investment of RI 288 614 which was held as security by DBSA, was transferred to the Bank as part of the settlement agreement.

Cash resources and short term deposits were a total amount of R8 945 299 (2007 - RI 100 043) on 30 June 2008. The reason for this positive movement during the year, is grants received from Provincial and National Government.

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B in the financial statements.

### **4. FUNDS AND RESERVES**

The total balance of the Statutory Funds at 30 June 2008 were R7 290 540 (2007 - R7 113 619) while the reserves were unchanged at R12 000.

The Trust Funds increased from R2 703 857 in 2007 to R8 899 327 at 30 June 2008, due to additional grant funding from Provincial and National Government.

### **5. GENERAL**

The Blue Crane Route Development Agency was established during the 2005 financial year. The main objective of the Agency is to act as a agent on behalf of the Municipality for all tourism, agriculture and business development issues in the demarcated development zone.

### **6. POST BALANCE SHEET EVENTS**

No post balance events occurred after 30 June 2008

### **7. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and to the Municipal staff for their assistance and support during the year.

### **8. EXTERNAL LOANS, INVESTMENTS AND CASH**

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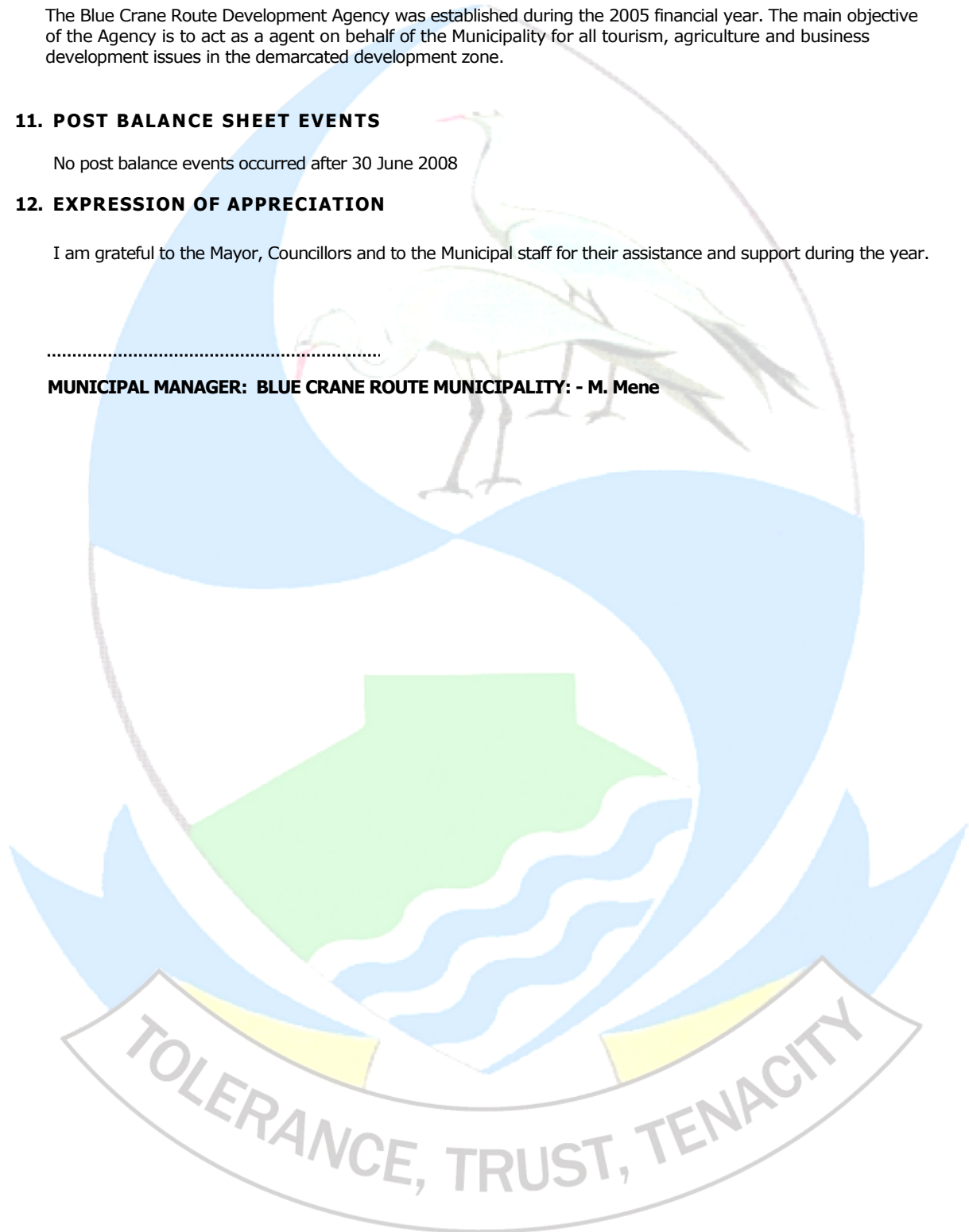
## **11. POST BALANCE SHEET EVENTS**

No post balance events occurred after 30 June 2008

## **12. EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councillors and to the Municipal staff for their assistance and support during the year.

.....  
**MUNICIPAL MANAGER: BLUE CRANE ROUTE MUNICIPALITY: - M. Mene**



## **BLUE CRANE ROUTE MUNICIPALITY ACCOUNTING POLICIES FOR THE YEAR ENDED 30/06/08**

### **1. Basis of preparation**

- 1.1 These financial statements have been prepared so as to confirm to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.  
The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
  - \* Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
  - \* Expenditure is accrued in the year it is incurred and when an official order is issued.

### **2. Consolidation**

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

### **3. Fixed assets**

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer. In the year 2007/08, the valuation of all properties that are registered in the name of the Municipality is taken up in the asset register at the Valuation as determined by the Valuer appointed by the Municipality. The Ledger accounts for these assets were adjusted accordingly.

#### **3.2 Depreciation**

The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- \* Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- \* Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

#### 4. Funds and reserves

##### 4.1 Revolving Fund

The fund requires a minimum contribution of 7.5% of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

##### 4.2 Other funds and reserves

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

#### 5. Provisions

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

Provision for bad debts are calculated at all outstanding debtors for 90 days and older, VAT excluded.

#### 6. Inventory

Inventory is reflected in the Balance Sheet at the weighted average cost.

#### 7. Retirement benefits

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

## **8. Surpluses and deficits**

Any surpluses and deficits arising from the operation of Electricity and Water Services are transferred to Rates and General Services.

## **9. Treatment of administration and other overhead expenses**

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June **1990**).

## **10. Investments**

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

## **11. Income recognition**

11.1 All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

### **11.2 Assessment rates**

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

### **11.3 Other income**

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

## **12. Leased assets**

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement. Vehicles bought on behalf of Councillors and also financed under leases, are not capitalised but only shown as a longterm debtor and a corresponding long term liability (leases).

TOLERANCE, TRUST, TENACITY



**BLUE CRANE ROUTE MUNICIPALITY**

**BALANCE SHEET FOR THE YEAR ENDED AT 30/06/08**

		NOTES	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>				
Funds and Reserves			7,302,540	7,125,619
- Statutory funds	1		7,290,540	7,113,619
- Reserves	2		12,000	12,000
Accumulated Deficit			(10,035,734)	(14,524,085)
			(2,733,194)	(7,398,466)
Trust funds	3		8,899,327	2,703,857
Long-term liabilities	4		194,429	15,580,515
Consumer deposits: Services	5		944,022	751,637
			<b>7,304,584</b>	<b>11,637,543</b>
<b>EMPLOYMENT OF CAPITAL</b>				
Fixed assets	6		48,796	15,612,035
Investments	7			1,288,614
Longterm debtors	8		297,165	135,598
Net current assets/(liabilities)			6,958,623	(5,398,704)
Current assets			19,413,804	14,759,808
- Inventory	9		366,782	421,314
- Debtors	10		10,018,157	12,251,093
- Bank and Cash	11		727,604	1,733,040
- Short-term portion of Long-term debtors			83,566	19,313
- Short-term investments			8,217,695	335,048
Current liabilities			(12,455,181)	(20,158,512)
- Provisions	12		4,554,421	2,569,622
- Creditors	13		7,801,260	16,589,325
Bank overdraft	14		-	968,045
- Short-term portion of long-term liabilities			99,500	31,520
			<b>7,304,584</b>	<b>11,637,543</b>

**BLUE CRANE ROUTE MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30/06/08**

Actual Income 2007 R	Actual Expenditure 2007 R	Surplus/ (deficit) 2007 R		Actual Income 2008 R	Actual Expenditure 2008 R	Surplus/ (deficit) 2008 R	Budget Surplus/(deficit) 2008 R
<b>RATES AND GENERAL SERVICES</b>							
27,500,342	37,112,864	(9,612,522)		46,668,684	56,799,399	(10,130,715)	(1,371,660)
20,329,792	27,663,396	(7,333,604)					
			Community services	31,165,667	43,344,234	(12,178,567)	(7,573,729)
174,551	2,880,780	(2,706,229)	Subsidised services	4,162	2,201,589	(2,197,427)	(449,105)
6,995,999	6,568,688	427,311	Economic services	15,498,855	11,253,576	4,245,279	6,651,174
32,033,916	24,841,391	7,192,525					
<b>TRADING SERVICES</b>							
			<b>TOTAL</b>	35,176,193	25,025,953	10,150,240	12,373,844
<u>59,534,258</u>	<u>61,954,255</u>	<u>(2,419,997)</u>		<u>81,844,877</u>	<u>81,825,352</u>	<u>19,525</u>	<u>11,002,184</u>

4,542,645	Appropriations for the year (refer to note 15)	4,468,826
2,122,648	Nett surplus/(deficit) for the year (refer to note 15)	4,488,351
(16,646,733)	Accumulated deficit at the beginning of the year (Refer to note 15)	(14,524,085)
<u>(14,524,085)</u>	<b>ACCUMULATED DEFICIT AT THE END OF THE YEAR</b> (Refer to note 15)	<u>(10,035,734)</u>

TOLERANCE, TRUST, TENACITY

**BLUE CRANE ROUTE MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30/06/08**

	NOTES	2008 R	2007 R
<b>CASH (UTILISED)/ RETAINED FROM OPERATING ACTIVITIES</b>			
Cash generated by operations		26,963,341	19,577,578
Interest earned	16	(13,599,732)	(12,462,175)
(increase)/decrease in working capital	17	701,379	20,894
Less: Interest paid: External Loans		(7,082,394)	4,581,240
Cash (utilised in)/available from operations		(9,514)	(2,942,587)
Cash contributions from the public and the state		(19,990,261)	(10,802,628)
Nett proceeds on disposal of fixed assets		46,921,013	29,953,505
		32,589	426,701
<b>CASH RECEIVED IN INVESTING ACTIVITIES</b>			
Capital expenditure during the year		(12,326,664)	(10,946,765)
<b>NET CASH FLOW</b>		<b>14,636,677</b>	<b>8,630,813</b>
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>			
Increase/(decrease) in long-term loans (external)	18	(8,080,035)	(26,541)
(Increase)/decrease in cash investments	19	(6,594,033)	17,980
(Increase)/decrease in cash on hand	20	37,391	(8,622,252)
		<b>(14,636,677)</b>	<b>(8,630,813)</b>

TOLERANCE, TRUST, TENACITY

**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08**

	<b>2008 R</b>	<b>2007 R</b>
<b>1 STATUTORY FUNDS</b>		
Revolving fund	6,919,512	6,886,923
Housing Development Fund	371,028	226,696
	<u>7,290,640</u>	<u>7,113,619</u>
<i>(Refer to Appendix A for more details)</i>		
<b>2 RESERVES</b>		
Game Reserve	12,000	12,000
	<u>12,000</u>	<u>12,000</u>
<i>(Refer to Appendix A for more details)</i>		
<b>3 TRUST FUNDS</b>		
Dr. VWH Craib Fund	17,015	17,015
LED Zama Fund	63,158	63,158
Integrated Development Plan	17,657	122,809
Zoning Map Fund	30,843	30,843
Pearston Small Farmers Association	1,763	4,043
Cookhouse 313 Houses	71,679	72,041
Municipal Administration		10,729
Environmental Impact Study Fund	63,000	63,000
Spatial Development Framework	345,450	-
MIG - Revolving Fund	3,449,108	1,470,874
Cacadu ITC	11,671	4,868
MSIG Funds	448,741	15,959
Fire Management	30,000	30,000
Library Grant - Cacadu	20,081	-
Project Consolidate	15,548	-
Water Services Fund	100,000	65,000
NER Trust Fund	2,394,261	334,726
FMG Grant	76,332	159,439
CM1P - Trust Funds	151,861	151,861
Pearston 300 Houses	86,972	87,492
Free Basic Services Grant	110,026	
LED Trust Fund	17,670	
Housing Funds	83,732	
Elect Rural Lines		
Molenhof - Cacadu		
Computer Project - Cacadu	10,752	
KV Overhead Line		
CBP Ward Implementation Plan	238,211	
DWAF	1,043,796	
	<u>8,899,327</u>	<u>2,703,857</u>
<b>4 LONG-TERM LIABILITIES</b>		
Development Bank of South Africa		15,532,316
ABSA Vehicle and Asset Finance	48,796	79,719
Lease Commitments	245,133	
	<u>293,929</u>	<u>15,612,035</u>
Less: Short Term portion transferred to Current Liabilities	(99,500)	(31,520)
External Loans	(35,348)	(35,348)
Leases	(64,152)	
	<u>194,429</u>	<u>15,580,515</u>

The annuity loan of Development bank was fully redeemed during the year. An amount of R 8 294 245 was paid as redemption and the balance and arrear interest were written off by DBSA.  
*(Refer to Appendix B for more details)*

The Lease commitment represents a vehicle lease on behalf of the Mayor of Blue Crane Municipality. The Mayor will be the owner of the vehicle at the end of the lease in 2011.

BLUE CRANE ROUTE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007
5 CONSUMER DEPOSITS: SERVICES		
Service Deposits	944,022	751,637
	<u>944,022</u>	<u>751,637</u>
6 FIXED ASSETS		
Fixed assets at the beginning of the year	119,924,828	97,051,589
Capital expenditure during the year	12,326,664	10,946,765
Less: Assets written off, transferred or disposed of during the year	(19,403,613)	(11,926,474)
Total fixed assets	<u>151,655,105</u>	<u>119,924,828</u>
Less: Loans redeemed and other capital receipts	<u>151,606,309</u>	<u>104,312,793</u>
Nett fixed assets	<u>48,796</u>	<u>15,612,035</u>

(Refer to Appendix C for more details)

7 INVESTMENTS				
<i>Name of Bank</i>	<i>Acc Nr</i>	<i>Type</i>		
ABSA Bank	9062642914	Call Acc	881	968
ABSA Bank	2053825035	Fixed Deposit	7,500	7,500
ABSA Bank	2055844786	Fixed Deposit	15,997	14,691
ABSA Bank	2064372621	32 Days	261	248
ABSA Bank	2084303510	32 Days	10,836	10,141
ABSA Bank	9067623600	Call Acc	4,131,098	147,152
ABSA Bank	3064335048	32 Days	19,590	18,315
ABSA Bank	4064313202	32 Days	11,649	10,866
ABSA Bank	5024312404	32 Days	25,734	24,056
ABSA Bank	9064335011	32 Days	11,288	10,610
ABSA Bank	9073206933	32 Days	25,482	23,688
ABSA Bank	9117216620	Call Acc		1,243
ABSA Bank	9117216777	Call Acc		1,384
ABSA Bank	9186985404	Money Market	1,582,092	
ABSA Bank	9186985878	Money Market	51,803	
ABSA Bank	9191350545	Money Market	2,259,389	
Nedbank	1263036023	Money Market	6,844	7,222
Nedbank	18312483	Fixed Deposit	-	4,000
Nedbank	18312491	Fixed Deposit	4,600	4,600
Nedbank	1263034756	Money Market	52,651	48,364
			<u>8,217,695</u>	<u>335,048</u>

Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires Local Authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.

Annuity investments

Investec	1,288,614
-	<u>1,288,614</u>

The annuity Investment has been transferred to Development Bank SA, to form part of the settlement agreement with DBSA.  
See also Note 4 of this Fin Statements



**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08**

**8 LONG-TERM DEBTORS**

Sportclub Loans	32,486	3-4,469
Lease - Mayor's vehicle	245,133	
Housing Loans	103,112	120,442
	<u>380,731</u>	<u>154,911</u>
Less: Short-term portion transferred to current assets	83,566	19,313
	<u>297,165</u>	<u>135,598</u>

**9 INVENTORY**

Inventory represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock.

366,782	421,314
<u>366,782</u>	<u>421,314</u>

**10 DEBTORS**

Current Debtors (Consumers)	19,018,731	20,940,532
Less: Provision for bad debts	(13,197,397)	(12,649,035)
	<u>5,821,334</u>	<u>8,291,497</u>

**Local Economic Development**

Cacadu District Municipality capital claims	367,039	329,692
Biltong Festival Suspense	393,587	145,136
Insurance Claims		99,951
VAT on Debtor Consumers	1,910,462	2,070,793
Work in Progress	221,815	315,817
VAT suspense & Creditors	661,056	878,347
VAT Claim for June 2008	110,338	
SARS: Refund for PAYEIUIF & SDL	410,141	
Sundry Debtors	122,385	119,860
	<u>10,018,157</u>	<u>12,251,093</u>

**11 BANK AND CASH**

*Current Bank Account: Absa Bank (Ace 22000000008)*

Bankstatement balance at the end of the year 377,515

*Current Bank Account: Absa Bank (Acc 4064779134)*

Bankstatement balance at the end of the year 418,774 1,742,832

796,289 1,742,832

*Current Bank Account: Absa Bank (Acc 22000000008)*

Cashbook balance at the end of the year 322,964

*Current Bank Account: Absa Bank (Acc 4064779134)*

Cashbook balance at the end of the year 393,216 1,719,622

*Current Bank Account: Absa Bank (Acc 4049180033)*

Bankstatement and Cashbook balance at the end of the year 6,591 6,853

*Current Bank Account: Absa Bank (Acc 4055469366)*

Bankstatement and Cashbook balance at the end of the year 215 814

*Current Bank Account: Absa Bank (Acc 4053048314)*

Bankstatement and Cashbook balance at the end of the year 2,910 3,349

*Current Bank Account: Absa Bank (Acc 4051973385)*

Bankstatement and Cashbook balance at the end of the year 243 937

726,139 1,731,575

Cash Floats

1,465 1,465

727,604 1,733,040

	2008 R	2007 R
12 PROVISIONS		
Leave Pay Provision	2,254,421	1,969,622
Audit Fee Provision	900,000	600,000
D Crous Package	1,400,000	
	<u>4,554,421</u>	<u>2,569,622</u>
Provisions are not cash backed.		
13 CREDITORS		
Trade creditors	4,454,514	7,892,496
DBSA - Interest on Ext Loan in arrears		4,976,821
Nett VAT returns		99,549
VAT Levied on consumers but not yet Paid	1,910,462	2,070,793
Auditor-General		1,195,218
Income Tax		130,324
Consumers paid in advance	327,935	158,226
Insurance claims paid - not yet utilised	273,828	
Health surplus	531,427	
VAT suspense account	275,022	
Sundry Creditors	28,072	65,898
	<u>7,801,260</u>	<u>16,589,325</u>
14 BANK OVERDRAFT		
<b>Current Bank Account: Absa Bank (Acs 22000000008)</b>		
Overdraft bankstatement balance at the end of the year		778,042
		968,045
Overdraft cashbook balance at the end of the year		
		<u>968,045</u>
15 APPROPRIATIONS		
Appropriation account:		
Accumulated deficit at the beginning of the year	(14,524,085)	(16,646,733)
Operating (deficit) surplus for the year	19,525	(2,419,997)
	(14,504,560)	(19,066,730)
Less: Appropriations for the year	4,468,826	4,542,645
Backpay to Councillors		(275,590)
Adjustment to Provision for Bad debts		(181,025)
SDL Levies claimed		123,594
Health drug allocations - prior years		636,935
Trust Funds already spent - mistake in allocations		796,552
Balances of funds for work in progress that is completed		231,165
Provision for Former CFO's Package		(755,962)
MAX Prof VAT Audit Fees		(387,003)
Adjustment on Audit cost for Auditor-General - Previous years		(62,327)
Adjustment on Audit cost for Internal Auditors - Previous years		(92,644)
Traffic Fines not received as raised in 2005/06		(158,560)
Unknown balances of previous years (Charters & Barnes)		1,305,634
Loss on MSS expenditure written off		(669,486)
Nett additional VAT Claims - MAXPROF		344,851
Adjustment on Loans Redeemed and Other receipts		3,775,097
Audit cost for 2006/07 - under provision	(268,172)	
Bigen Africa Professional fees - under provision 2006/07	(266,850)	
SALA Pension Fund arrear increased contribution	(209,271)	
Write-Off arrear Interest - DBSA	4,976,821	
Other adjustments	236,298	(88,588)
Accumulated deficit at the end of the year	<u>(10,035,734)</u>	<u>(14,524,085)</u>
Operating account:		
Capital expenditure - Fixed assets	815,624	415,188
Contributions to:		
- Revolving Fund		
- Provision for bad debts	6,895,821	5,037,128
- Leave Provision	565,752	495,317
	<u>8,277,197</u>	<u>5,947,633</u>

# 16 CASH GENERATED BY OPERATIONS

(Deficit)/Surplus for the year	19,525	
Adjustments in respect of:		(2,419,997)
- Prior Year Adjustments	4,468,826	4,542,645
Appropriations charged against income	10,577,197	2,953,561
Revolving fund	9,761,573	
Provisions		6,313,471
Adjustment to loans redeemed and other receipts assets	815,624	(3,775,098)
		415,188
Investment Income	(365,656)	(20,839)
Less: Operating contr from Central and Prey, Govmnt	(27,433,786)	(15,699,550)
Capital charges:	8,334,682	2,970,306
Interest Paid on External Loans	9,514	2,942,587
Redemption on External Loans	8,325,168	27,719
Non Operating Expenditure	(9,344,852)	(5,014,997)
- Expenditure charged against funds	(2,116,440)	(3,369,828)
- Expenditure charged against provisions	(7,228,412))	(1,645,169)
Non Operating Income		
- Income Credited to Funds	144,332	226,696
- Income Credited to Assets	144,332	226,696
	(13,599,732)	(12,462,175)

## 17 (INCREASE)/DECREASE IN WORKING CAPITAL

(Increase)/Decrease in inventory	54,532	(1,431)
(Increase)/Decrease in Debtors, Long term Debtors	1,458,754	(4,662,876)
Increase/(Decrease) in Creditors, Consumers deposits	(8,595,680)	9,245,547
	(7,082,394)	4,581,240

## 18 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)

Loans raised	245,133	1,178
Loans repaid	(8,325,16e)	(27,719)
	(8,080,035)	(26,541)

## 19 (INCREASE)/DECREASE IN CASH INVESTMENTS

Investments realised	1,288,614	17,980
Investments made	(7,882,647)	
	(6,594,033)	17,980

TOLERANCE, TRUST, TENACITY

BLUE CRANE ROUTE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08

	2008 R	2007 R
20 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	764,995	(7,857,257)
Less: Cash balance at the end of the year	727,604	764,995
	37,391	(8,622,252)
21 ASSESSMENT RATES		
Valuation of land and improvements :		
All properties	2,241,987,320	270,100,020
The Rateable valuation was 82,190,567,586		
The Valuation was done in 2008 and implemented on 1 July 2007	2,241,987,320	270,100,020
Actual Rateable Income	4,830,137	3,171,274
22 REMUNERATIONS		
22.1 Council		
Mayors allowance	364,441	384,746
Salary	262,531	264,611
Travelling allowance	87,510	88,203
Telephone allowance	14,400	12,684
Backpay		19,248
Councillor's allowance	1,262,279	1,110,492
Salaries	886,041	779,409
Travelling allowance	295,346	259,803
Telephone allowance	80,892	71,280
Housing allowance		-
Other allowances		
Councillor's Total Allowances	1,626,720	1,495,238

TOLERANCE, TRUST, TENACITY

**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08**

	2008 R	2007 R
<b>22 REMUNERATIONS</b> (continue)		
<b>22.2</b> <i>Municipal Manager (Only employed for 5 months)</i>		
Annual Remuneration	164,401	51,714
Travel Allowance	50,000	20,000
Municipal Contributions	30,232	2,735
Total for 5 months	244,633	74,449
<b>213</b> <i>Chief Finance Officer/Acting Municipal Manager</i>		
Annual Remuneration	271,917	214,291
Travel Allowance	108,000	96,000
Municipal Contributions	19,475	12,826
Leave Paid Out (new contract)	63,653	
Acting Allowance	116,178	
	579,223	323,117
<b>22.4</b> <i>Manager: Corporative Services</i>		
Annual Remuneration	327,919	282,510
Travel Allowance	191,691	188,762
Municipal Contributions	21,196	17,784
Acting Allowance	19,243	
	580,049	489,076
<b>22.6</b> <i>Manager: Health Services</i>		
Annual Remuneration	401,563	366,256
Travel Allowance	96,000	96,000
Municipal Contributions	10,551	1,435
	508,114	463,691
<b>22.6</b> <i>Manager: Electricity Services (Only employed for 2 months)</i>		
Annual Remuneration	47,600	126,903
Travel Allowance	20,000	67,451
Municipal Contributions	8,825	715
Total for 2 months	78,425	195,069
<b>23 AUDITOR'S REMUNERATIONS</b>		
Audit Fee: Previous year	868,172	1,630,974
Audit Fee: Previous year paid	(868,172)	(435,756)
Audit fees: Provision for Current year	900,000	600,000
Total Audit fees outstanding (included in creditors and provisions)	900,000	1,795,218



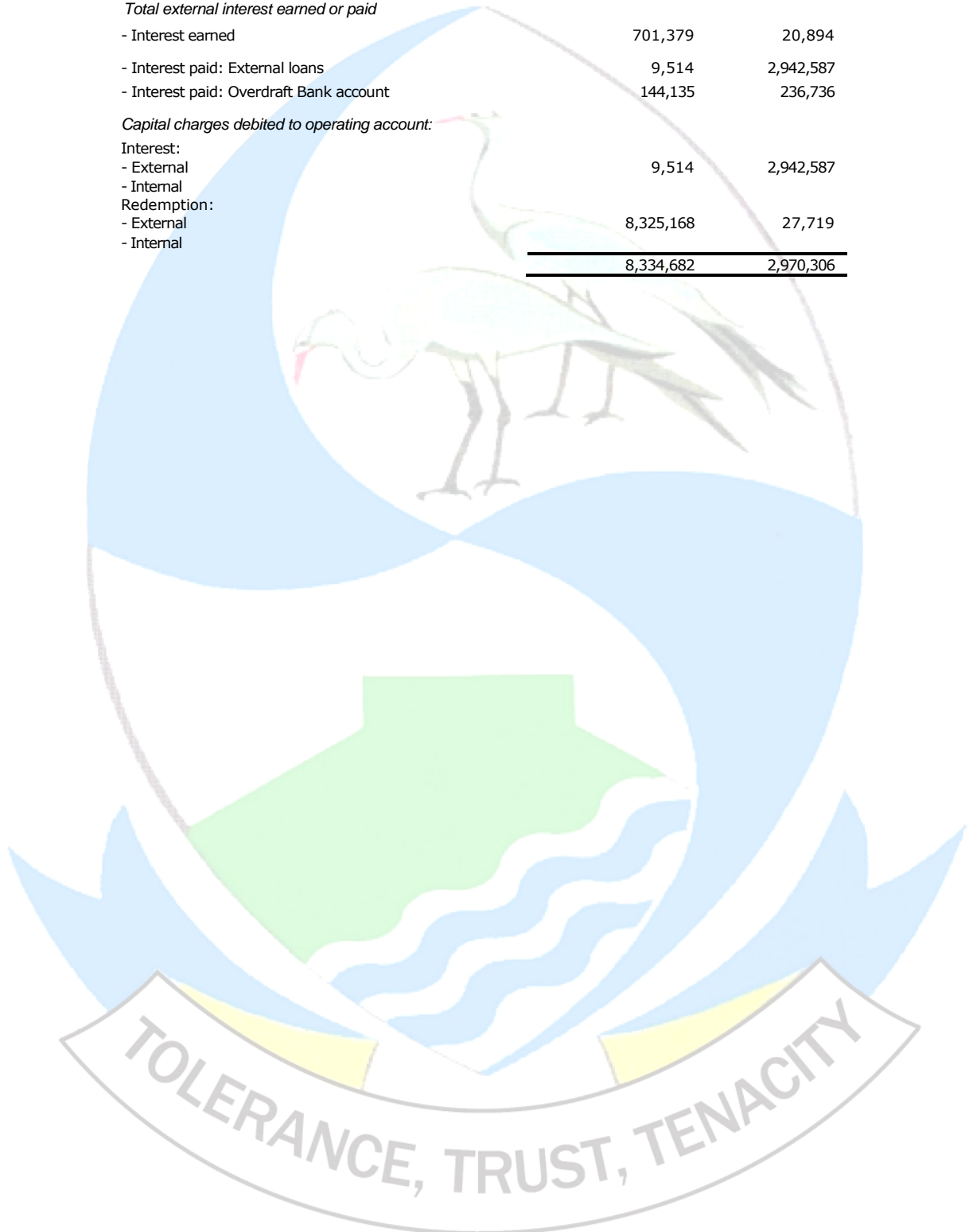
24 FINANCE TRANSACTIONS

*Total external interest earned or paid*

	2008 R	2007 R
- Interest earned	701,379	20,894
- Interest paid: External loans	9,514	2,942,587
- Interest paid: Overdraft Bank account	144,135	236,736

*Capital charges debited to operating account:*

Interest:		
- External	9,514	2,942,587
- Internal		
Redemption:		
- External	8,325,168	27,719
- Internal		
	<u>8,334,682</u>	<u>2,970,306</u>



**BLUE CRANE ROUTE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/08**

2008 R	2007 R
-----------	-----------

**25 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

The Municipality currently has unresolved labour disputes. No financial value can be assigned to the disputes.

**26 RETIREMENT BENEFITS**

The employees of the municipality and the municipality contribute to various Pensions, Provident and Retirement Funds. The main funds being SAMWU, SALA and the Cape Joint Retirement Fund.

	Employee	Employee
SAMWU Provident Fund	5.00%	5.00%
SAtA Pension Fund	8.60%	8.60%
Cape Joint Retirement Fund.	9.00%	9.00%

**27 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure

This expenditure will be funded financed from:-  
 internal Sources

- External Sources  
 Other sources  
 Government Grants

1,306,666	13,394,720
1,306,666	13,394,720
1,306,666	13,394,720
1,306,666	13,394,720

28

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

*Reconciliation of unauthorised expenditure*

Opening balance  
 Unauthorised expenditure current year  
 Approved by Council or condoned  
 Unauthorised expenditure awaiting authorising


*Reconciliation of wasteful! expenditure*

Opening balance  
 Fruitless and wasteful! expenditure current year  
 Approved by Council or condoned  
 Fruitless and wasteful! expenditure awaiting condonement

152,936  
 152,936


*Reconciliation of Irregular expenditure*

Opening balance  
 Irregular expenditure current year  
 Approved by Council or condoned  
 Irregular expenditure awaiting condonement


BLUE CRANE ROUTE MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30/06/2008

	Balance at 30/06/2007 R	Contr. For the year R	Interest Received R	Other Income R	Operating Expenditure during the year R	Capital expenditure during the year R	Balance at 30/06/2008 R
<b>STATUTORY FUNDS</b>							
Revolving fund	6,886,923			32,589			6,919,512
Housing development fund	226,696			144,332			371,028
	<b>7,113,619</b>	<b>0</b>	<b>0</b>	<b>176,921</b>			<b>7,290,640</b>
<b>RESERVES</b>							
Game Reserve	12,000						12,000
	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>12,000</b>
<b>TRUST FUNDS</b>							
Dr. WH Craib Fund	17,015						17,015
LED Zama Fund	63,158						63,158
Integrated Development Plan	122,809			50,000	155,152		17,657
Zoning Map Fund	30,843						30,843
Pearston Small Farmers Association	4,043				2,280		1,763
Cookhouse 313 Houses	72,041		42		404		71,679
Municipal Administration	10,729				10,729		0
Environmental Impact Study Fund	63,000						63,000
Spatial Development Framework	0			370,200	24,750		345,450
MIG - Revolving Fund	1,470,874		216,735	12,714,976		10,953,477	3,449,108
Cacadu ITC	4,868			65,920	2,977	56,140	11,671
MSIG Funds	15,959		8,597	734,000	309,815		448,741
Fire Management	30,000						30,000
Library Grant - Cacadu	0			507,079	76,226	410,772	20,081
Project Consolidate	0			79,579	64,031		15,548
Water Services Fund	65,000			35,000			100,000
NER Trust Fund	334,726		97,673	2,400,000	438,138		2,394,261
FMG Grant	159,439			500,000	569,256	13,851	76,332
CMIP - Trust Funds	151,861						151,861
Pearston 300 Houses	87,492		34		554		86,972
Free Basic Services Grant				136,000	25,974		110,026
LED Trust Fund			12,642	206,416	201,388		17,670
Housing Funds				177,735	94,003		83,732
Elect Rural Lines				39,600	39,600		0
Molenhof - Cacadu				75,836	75,836		0
Computer Project - Cacadu				87,552		76,800	10,752
KV Overhead Line				13,538	13,538		0
CBP Ward Implementation Plan				250,000	11,789		238,211
DWAF				1,043,796			1,043,796
	<b>2,703,857</b>		<b>335,723</b>	<b>19,487,227</b>	<b>2,116,440</b>	<b>11,511,040</b>	<b>8,899,327</b>

TOLERANCE, TRUST, TENACITY

**BLUE CRANE ROUTE MUNICIPALITY**

**APPENDIX B**

**EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30/06/08**

		Balance 30/06/2007 R	Received During the Year R	Redeemed Or written off During the year R	Balance at 30/06/2008 R
<b>EXTERNAL LOANS</b>					
<b>Issued</b>	<b>Redeemable</b>				
<b>Development bank:</b>		<b>16,632,316</b>	<b>0</b>	<b>16,632,316</b>	<b>0</b>
DBSA @ 17.00% - BI Annually	30.09-2016	16,532,316		16,532,311	0
DBSA @ 11.00% - (Shown as creditor in 2006/07)		0			0
ABM Vehicle % Asset Finance	30-10-2009	79,7191		30,9231	48,7961
<b>TOTAL EXTERNAL LOANS</b>		<b>16,612,036</b>	<b>0</b>	<b>15,663,239</b>	<b>48,796</b>
<b>INTERNAL LOANS</b>					
Internal advances to borrowing services		<b>8,119,132</b>		<b>8,119,132</b>	<b>0</b>

*The Internal Advances could not be linked to any assets and therefore written off during the year.*

TOLERANCE, TRUST, TENACITY

**BLUE CRANE ROUTE MUNICIPALITY**  
**APPENDIX C**  
**ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30/0608**

Expenditure 2007 R		Budget 2008 R	Balance At 30/06/2007 R	Expenditure During the Year R	Written off Transferred Redeemed Or disposed R	Balance At 30/06/2008 R
7,398,802	<b>RATES AND GENERAL SERVICES</b>	14,038,637	80,744,955	12,092,400	(19,545,613)	112,382,968
700,548	<b>Community services</b>	2,759,907	63 643,598	1,893,862	19,538,613	85,076,073
44,613	Community Services ex Old Pearston TLC IMP					-
	Town Planning		44,613		44,613	-
	Bestershoek and Nature Reserve	12,000	452,528	5,486		458,014
	Environmental Health	11,020				
	Clinics	256,063	279,400	332,434	12,766	599,068
	Commonage and Pound	205,000	-			-
	Council's General Expenses	40,000	6,700	12,122	1,320	17,502
524,856	Estates and Properties	13,590	23,554,917	12,397	(19,409,992)	42,977,306
124,648	Public Works	1,878,374	37,544,842	1,226,504	(177,000)	38,948,346
	Municipal Manager	314,860	695,664	35,180	667,964	62,880
	Financial Services		625,848	218,922	(65,620)	910,390
	Human Resources			34,423	(598,664)	633,087
6,431	IVIIG Administration	24,000		14,115		14,115
	Traffic	5,000	427,823	2,279	(14,000)	444,102
	Stores		-			-
	Workshop		11,263			11,263
2,307,212	<b>Subsidised services</b>	2,742,783	2,307,212	3,516,440	-	5,823,652
2,138,585	Subsidised services ex old Pearston TLC	2,450,543	2,138,585	3,105,668		5,244,253
168,627	Airfield					
	Cemetries					
	Fire Brigade	197,000	168,627	410,772		579,399
	Libraries	95,240				-
	Parks and Recreation					
4,391,042	<b>Economic services</b>	8,535,947	14,794,145	6,682,098	(7,000)	21,483,243
	Economic Services Ex Old Pearston TLC					
	Refuse Removal Services	900,000	300,000	55,427	(7,000)	362,427
4,391,042	Sanitation and Vacuum Tank Services	7,635,947	14,494,145	6,626,671		21,120,816
	Sewerage Services					
	<b>HOUSING SERVICES</b>					
	Township administration					
	Housing administration					
3,547,963	<b>TRADING SERVICES</b>	4,201,155	39,179,873	234,264	142,006	39,272,137
509,913	Abattoir	3,072,088	15,470,747	205,056	142,000	15,533,803
3,038,050	Electricity Services	1,129,067	23,709,126	29,208		23,738,334
10,946,765	Water Services					
	<b>TOTAL</b>	18,239,792	119,924,826	12,326,664	(19,403,613)	151,655,105
			104,312,793	12,357,587	(34,935,929)	151,606,309
			68,445	30,923		99,368
			7,741,257	815,624	(7,972,246)	16,529,127
			96,387,691	11,511,040	(26,963,683)	134,862,414
			115,400			115,400
		15,612,035		(30,923)	15,532,316	48,796



**BLUE CRANE ROUTE MUNICIPALITY**

**APPENDIX D**

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30/06/08**

Actual 2007 R		Actual 2008 R	Budget 2008 R
<b>INCOME</b>			
15,699,550	Government - Grants & Subsidies	27,433,786	27,379,321
43,813,869	Operating income	54,045,435	56,983,484
3,171,274	- Assessment Rates	4,830,137	4,802,019
23,223,886	- Sale of Electricity	25,371,254	24,781,351
5,861,857	- Sale of Water	6,184,016	6,086,686
3,690,759	- Refuse	4,033,287	3,980,788
3,292,012	- Sewerage and Sanitation	3,566,692	3,508,265
4,574,081	- Tariffs, Other Service Charges and Sundries	10,060,040	13,824,375
20,839	- Interest Received	365,656	250,000
<b>59,534,258</b>	<b>Total Income</b>	<b>81,844,877</b>	<b>84,362,805</b>
<b>EXPENDITURE</b>			
26,544,557	Salaries,wages and allowances	29,156,595	30,917,239
31,010,900	General expenses	33,525,754	34,256,101
12,195,056	- Bulk Purchases - Electricity	13,856,516	12,310,000
	- Bulk Purchases - Water		
18,815,844	- Other General Expenditure	19,669,238	21,946,101
1,656,047	Repairs and maintenance	2,817,721	3,180,000
2,970,306	Capital charges	8,334,682	1,433,173
415,188	Contributions to fixed assets	815,624	3,174,893
5,532,445	Contributions to funds	7,461,573	1,100,000
6,175,188	Less: Charged out	286,597	700,785
<b>61,954,255</b>	<b>Total Expenditure</b>	<b>81,825,352</b>	<b>73,360,621</b>

*MIG Exp/Income is deducted from these figures and is shown in Appendix 'A' under Trust Funds*

**TOLERANCE, TRUST, TENACITY**

APPENDIX E  
BLUE CRANE ROUTE MUNICIPALITY  
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30/06/108

Actual Income 2007 R	Actual expenditure 2007 R	Surplus/ (deficit) 2007 R
-------------------------------	------------------------------------	------------------------------------

27,500,342	37,112,864	9,612,522
20,329,792	27,663,396	(7,333,604)
3,171,274		3,171,274
481,347	481,347	-
2,449,675	3,052,475	(602,800)
90,937	494,904	(403,967)
	2,165,704	(2,165,704)
520,243	2,364,788	(1,844,545)
432,888	593,333	(160,445)
11,519,339	10,389,171	1,130,168
433,711	1,783,797	(1,350,086)
220,599	2,957,575	(2,736,976)
	1,716,687	(1,716,687)
865,770	1,012,967	(147,197)
144,009	650,648	(506,639)
174,551	2,880,780	(2,706,229)
32,406	1,038,157	(1,005,751)
	145,055	(145,055)
17,339	1,175,240	(1,157,901)
124,806	522,328	(397,522)
6,995,999	6,568,688	427,311
3,691,356	4,882,669	(1,191,313)
3,304,643	1,686,019	1,618,624

RATES AND GENERAL SERVICES

Community services
Assesment rates
Biltong Festival Clinics
Commonage and Pound
Coporate Services
Council's General Expenses
Environmental Health
Financial Services
Housing Administration
Properties and Leasing
Public Works
Municipal Manager
MIG Administration
Traffic
Stores
Workshop
Subsidised services
Cemetries & Open Spaces
Fire Brigade
Libraries
Parks and Recreation
Economic services
Refuse
Sewerage and Sanitation

Actual Income 2008 R	Actual Expenditure 2008 R	Surplus / (Deficit) 2008 R	Budget Surplus / (deficit) 2008 R
-------------------------------	------------------------------------	-------------------------------------	--------------------------------------------

46,868,684	56,799,399	10 130 715	1,371.660
31,165 667	43,344,234	(12,178,567)	(7,573 729)
4,830,137		4,830,137	4,802,019
564,172	597,137	(32,965)	(64,129)
3,049,154	3,051,249	(2,095)	6,500
224,670	1,168,064	(943,394)	(3,482,215)
	5,610,950	(5,610,950)	(5,130,883)
434,000	2,148,233	(1,714,233)	(1,973,895)
526,359	466,230	60,129	(28,776)
17,918,772	18,296,856	(378,084)	5,379,879
158,007	2,323,708	(2,165,701)	(2,629,608)
592,124	4,475,832	(3,883,708)	(4,238,580)
	1,897,907	(1,897,907)	(2,012,321)
276,275	258,473	17,802	
2,392,551	2,540,480	(147,929)	-
199,446	509,115	(309,669)	1,653,584
4,162	2,201,589	(2,197,427)	(449,105)
		-	-
4,162	101,375	(101,375)	(86,996)
	1,025,037	(1,020,875)	(58,673)
	1,075,177	(1,075,177)	(303,436)
15,498,855	11,253,576	4,245,279	6,651,174
9,096,510	7,435,543	1,660,967	2,644,388
6,402,345	3,818,033	2,584,312	4,006,786

32,033,916	24,841,391	7,192,525
25,333,847	21,395,493	3,938,354
6,700,069	3,445,898	3,254,171

TRADING  
Electricity  
Water

35,176,193	25,025,953	10,150,240	12,373,844
27,772,356	19,572,630	8,199,726	8,416,616
7,403,837	5,453,323	1,950,514	3,957,228

59,534,258	61,954,255	(2,419,997) TOTAL
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81,844,877	81,825,352	19,525	11,002,184
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4,542,645 Appropriations for the year  
refer to note 19)

2,122,648 Nett surplus/(deficit) for the year  
(16,646,733) Accumulated deficit at the beginning of the year  
(14,524,085) ACCUMULATED DEFICIT AT THE END OF THE YEAR

4,468,826  
4,488,351  
(14,524,085)  
(10,035,734)

**APPENDIX F**  
**STATISTICAL INFORMATION FOR THE YEAR ENDED 30/06108**

		<b>2008</b>	<b>2007</b>
<b>a) General statistics</b>			
- Population		34,357	34,357
- Valuation of "taxable" property			
- Residential	Rand	2,241,987,320	150,021,619
- Commercial	Rand	included in above amount	3,223,210
- Assessment rates:			
Somerset East properties	Rand	See below	0.01409
Pearston properties	Rand	See below	0.01409
Cookhouse properties	Rand	See below	0.01409
Clevedon properties	Rand	See below	0.010987
Unvalued properties	Rand	See below	0.01409
<b>Farmers:</b>			
Up to R100 000 valuation - Tariff less 90% rebate		0.01409	
From R100 001 valuation - Tariff less 60% rebate less 90%		0.01409	
<b>Business:</b>			
Up to R100 000 valuation - Tariff		0.01409	
From R100 001 valuation - Tariff less 60% rebate			
<b>Residential:</b>			
R15 000 exemption on total valuation			
From R15 001 to R100 000 valuation - Tariff		0.01409	
From R15 001 with a valuation more than R100 001 -		0.01409	
Tariff less 60% rebate		0.01409	
<b>State/Government:</b>			
On the full valuation - Tariff less 20% rebate		0.01409	
<b>Infrastructure:</b>			
On the full valuation - Tariff less 70% rebate		0.01409	
- Number of residential properties		8,996	7,128
- Number of employees		293	285
<b>b) Electricity statistics</b>			
- Units bought	Kwh	70,016,449	66,173,020
- Units sold	Kwh	62,840,486	58,818,198
- Units lost in distribution	Kwh	7,175,963	7,354,822
- Units lost as a percentage	Pero	10.25%	11.11%
<b>c) Water statistics</b>			
- Units purified	Kl	N/A	N/A
- Units sold	Kl	N/A	N/A
- Units lost in distribution	Kl	N/A	N/A
- Units lost as a percentage	Pero	N/A	N/A

#### **4.4 Assessment of any arrears on municipal taxes and service charges**

At 30 June 2008 the debtors balance was R20 632 032 an amount of R7 707 028 has been written-off during the financial period.

The provision for bad debts has been increased from R12 649 to R13 197 397. This is insufficient when compared to the age of the debts as indicated by the Auditor-General.

Total debtors now represent 48% of the total revenue derived from the Municipality's own sources, or a debtors turnover ratio of 174 days. The generally accepted target would be 30 to 40 days which would mean debtors should be between R3.6 million and R4.8 million.

The inability to collect the revenue due to the municipality is aggravating the financial position and is a primary factor causing severe cash-flow shortages.

This area is a matter of concern, and the council will take the necessary actions in the 2009/10 financial year to deal with this matter, such as data cleansing, and looking into the tariff structure.

#### **4.5 Assessment of the measurable performance for revenue collection for each vote in the approved budget**

As indicated in previous sections of this report and confirmed by the Auditor-General's Performance Audit Report, the Municipality has inadequate data and targets to indicate performance. This is also the case with regard to targets that should be set for each revenue source.

It therefore serves little purpose to analyze debtors by service at this stage. The overall budget performance is reflected in chapter 2 for each office and an explanation of the main deviations is contained therein.

#### **4.6 Audit Committee**

Audit Committee function was agreed by the Cacadu District Municipality to be a shared service, so all the municipalities share the cost for the service. The Audit Committee sit on a quarterly basis. The Committee is composed of the following members:

1. D Rosenberg ( Chairperson )
2. R Botha
3. R Blignaut

This Committee is set-up in line with the provisions of the Municipal Finance Management Act 56 of 2003, Section 166(1-4). The Committee has worked effectively in doing and advising Council on its activities.

Name	Meetings attended	Position	Stipend
Prof. D. Rosenberg	2	Chairperson	R6 420
Mr. R. Botha	3		R7 562
Ms. R. Blignaut	2		R5 320
Ms. N. Lee	2	Representative of the Auditor General Office	Included in Audit Fees
Ms. K. Andrews	2	Representative of Deloitte & Touche	Included in Audit Fees
Mr. K. Zantsi	3	Representative of PriceWaterHouseCoopers	Included in Internal Audit Fees
Mr. F. Muller	1	Representative of PriceWaterHouseCoopers	Included in Internal Audit Fees
Mr. D. Milleton	1 x 4	Representative of Deloitte & Touche	Included in Audit Fees

All the quarterly meetings was held with minutes, comments and advise from the members of the Committee. The Chairperson will allude further on the assessment views on the various aspects of Council performance.

TOLERANCE, TRUST, TENACITY



The logo of Waterford City Council is a circular emblem. It features a central shield divided into three sections: a top section with a white background and a green bird (a swan or heron) in flight, a middle section with a green background and a white stylized building, and a bottom section with a blue background and white wavy lines representing water. The shield is set against a light blue background with a white swoosh. Below the shield is a yellow banner with the text "TOLERANCE, TRUST, TENACITY" in black capital letters.

**That it be noted that the following Performance Review 2007/08 Report of the Section 57 Managers were not audited or approved by Council yet.**